





But increased economic hardship caused by US-driven attempts to isolate Belgrade may play into the hands of Milosevic and the nationalists, reports **Guy Dinmore**

ical status of Kosovo as the first Serbian province in centuries to say "no". Investors eyeing the major and market have developments not do anything in reform. In a few months may sell something cash but nothing more a big disappointment. Jerome Booth, head of market research at ANZ Bank in London. Some European countries expressed to the U.S.

Some European diplomats opposed to the US-driven efforts to isolate Belgrade further say sanctions only play into the hands of Mr. Milosevic. The west will once again be blamed by a fiercely nationalist Serbian electorate for their economic hardship, rather than the ruling Socialists.

of April to decide its next move, possibly the freezing of Serbian and Yugoslav government funds held abroad. Anticipating this, the central bank has instructed state-run banks to move assets back to federal Yugoslavia.

Mr Milosevic shows no sign of meeting the main demand of the Contact Group: the withdrawal from Kosovo of his special police forces and acceptance of a foreign role in talks yet to begin with the ethnic Albanian leadership. Instead he has called for a referendum throughout Serbia on April 23 on outside involvement in dialogue on Kosovo. With

**HOGY**  
HOGY MEDICAL Co., Ltd.  
Tokyo, Japan

On the other hand, labour intensive operations have been transferred overseas: notably to Indonesia where £1.9bn has



THE AMERICAS

SUMMIT OF THE AMERICAS US PRESIDENT WILL NEED TO MAKE A BOLD GESTURE TO RESTORE LOST INFLUENCE

# Clinton on mission to ease tension

By Gerard Baker in Santiago

No self-respecting continental land mass is complete these days without a regular summit gathering of its heads of government. Next weekend in Santiago, Chile, the leaders of all but one country in the western hemisphere (since it is a democracy-only club, Cuba is excluded) will meet for their second Summit of the Americas.

The meeting will be the usual occasion for much diplomatic bickering and cooling. There will indeed be plenty to celebrate about economic and political progress made throughout the region in the 3½ years since the first summit in Miami in 1994.

Growth in the US and Canada, the industrialised powers in the hemisphere, as well as in Latin America, has been robust. In the past year, widespread fears of a Latin American replay of the Asian financial crisis have proved unfounded, thanks in no small part to some effective government policies and regional co-operation.

But it will be hard for the participants to convince themselves, let alone anyone else, that the bold initiatives for hemispheric integration hailed as the principal achievements of Miami will soon bear fruit.

And though amity between North and South will be very much on public display as President Bill Clinton is warmly received by his South American partners, it will not be easy to disguise the growing frustration among many governments in Latin America at what they see as the failure of the US to make good on the promises it has held out to the rest of the Americas for the last few years.

The risk is that the next few years could see growing

diplomatic tensions between the US and its neighbours to the south, who fear Washington is about to close the door on their hopes of getting unfettered access to US markets.

"This will not be, as some have claimed, a photo-opportunity mission for the US; it will be a fire brigade mission," says Larry Birns, director of the Washington-based think-tank, the Council on Hemispheric Affairs. "Latin American countries are looking more and more for opportunities beyond the US, with Europe and elsewhere."

The irony of this growing *frustration* in relations is that Mr Clinton has claimed to be more sharply focused on Latin America than any previous administration.

Where his cold war predecessors spent much of their time re-engineering governments throughout Latin America to suit the interests of US foreign policy, Mr Clinton has emphasised the mutual economic benefits to be gained from free trade.

The signing of the North American Free Trade Agreement (Nafta) in 1993, with its inclusion of Mexico, held out the promise that open markets would produce opportunities for the rest of the Americas, not just for the rich northern powers.

To emphasise the importance of Latin America, Mr Clinton appointed Mack McLarty, his former chief of staff and a close friend, to co-ordinate regional policy.

At Miami, the US continued this emphasis on deepening friendly economic ties by leading calls for the creation of a Free Trade Area of the Americas (FTAA) by 2005 - an ambitious goal that became the official goal of the declaration.

But in hindsight the Miami moment was the



high-water mark of US engagement with Latin America. It was followed almost immediately by the Mexican crisis, which raised anti-free-trade opinion in the US.

Consequently, Mr Clinton's failure to secure legislation for "fast-track" trade negotiating authority in 1996 and again last year has in effect stripped him of the one practical weapon that might have furthered American economic integration.

"The problem was that President Clinton made trade the main point of his Latin American foreign policy," says Mr Birns. "With that gone, what else does he have?"

The White House is anxious to give the impression that this summit will herald a renewed sense of purpose for the Americas, and Santiago will at least mark the formal start of the FTAA negotiations.

Over the next few years, even without fast-track, the US makes the point that detailed negotiations on the plan can make serious progress. The timetable puts off much of the hard pounding in the discussions until 2003 at the earliest. And administration officials also note that while many Latin American countries have been pressing the US to move faster on free trade, the largest, Brazil, is quite happy with a slower pace.

The administration emphasises that this summit, therefore, will be mainly about other issues. There will be much emphasis on progress made by countries towards greater democracy, and calls for all countries in the hemisphere to deal with some of the familiar problems associated with democratic societies.

But those Latin American governments pressing for

more open markets are unlikely to be enthused by fine words on the problems of democratic life. Most of them still want some significant progress on trade.

Some of them have even begun thinking about a FTAA without the US. Others say they might find the World Trade Organisation a more fruitful place to gain leverage in promoting international trade. Still others are talking up the already deep economic ties that exist between South America and Europe.

Mr Clinton will do his best to emphasise that the US is still engaged. But it may need a bold gesture, such as promising an urgent push for fast-track authority with Congress. It will certainly require more than just Mr Clinton's famed interpersonal skills to restore some of the lost US influence in the region.

## Central America horizons widen

By Camille James in Kingston

Five Central American countries and the Dominican Republic today sign a free trade treaty in the first step towards creating a regional trade bloc including the Caribbean islands.

The bloc will comprise 22 countries when the members of the Caribbean Community (Caricom) are included and is part of an effort to prepare for the proposed hemispheric free trade area in 2005.

"The plan is for the Dominican Republic to act as a bridge between Central America and the Caribbean Community," according to Frederick Emam-Zade, the Dominican under-secretary of state for foreign affairs and its chief trade negotiator.

The trade negotiations with Caricom were also intended to prepare the Caribbean Basin countries for the proposed hemispheric trade area, Mr Emam-Zade said.

The signatories to this week's treaty say they will speak with a stronger voice at the weekend Summit of the Americas in Chile on the hemispheric trade bloc.

The treaty will include Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua. Negotiators had concluded preparatory talks and the matters left to be determined concerned rules of origin and a list of fewer than 20 products which would be exempted from preferential treatment, said Mr Emam-Zade.

Dominican business leaders are concerned, however, that the governments are rushing into the trade pact.

"Our concern is with the speed with which this is being done with Central America... It is being done too quickly, and we should be careful with these important matters," said Fernando González Nicolás, president of the Consorcio Comercial del Caribe, a Dominican trade promotion agency.

## NEWS DIGEST

### INFORMATION TECHNOLOGY

#### Electronic commerce helps to fuel US growth

Information technology has been responsible for one-quarter of real economic growth in the US over the past five years and makes up 8 per cent of gross domestic product, a study by the Commerce Department showed yesterday.

Releasing the report, William Daley, US commerce secretary, said that declining prices for information technology had also helped lower inflation by a full percentage point. He said the industry employed 7.4m workers with wages more than 60 per cent above the private sector average. The IT sector continued to grow twice as fast as the rest of the economy.

Mr Daley said that a further 1.3m jobs would be created in the sector over the next 10 years and called on companies to help workers get the necessary training to fill those positions.

The report found on-line commerce was growing rapidly in areas from banking to retail. "E-Commerce gives small and medium sized firms immediate access to worldwide markets without the need for overseas trips or overseas reps," said Mr Daley. Mark Suzman, Washington

### PRIVATE PENSION FUNDS

#### El Salvador gives go-ahead

El Salvador yesterday became the first country in Central America to launch private pension funds when five pension fund administrators (AFPs) received authorisation to begin seeking clients.

Customers will have individual accounts that will see contributions grow through investments in El Salvador's stock exchange. The system has taken nearly four years to set up. Francis Brevé, pensions superintendent, said each AFP would have to guarantee a minimum return based on the system's average, establishing funds to top up pensions if returns did not reach the required level. Mrs Brevé said private pensions would promote savings that would stimulate investment and create jobs. She said the new industry had already created 3,000 jobs.

The incoming pension regime is also expected to stimulate El Salvador's stock market. James Wilson, Panama City

### TAX REFORM

#### Computers 'unable to cope'

The computer systems at the troubled US tax service are unable to cope with the widespread desire to modernise the Internal Revenue Service, the head of the IRS admitted yesterday.

On the most important date in the US tax calendar - the deadline for filing tax returns - Charles Rossotti told a special congressional hearing that his existing computers were an impediment to adopting new business practices.

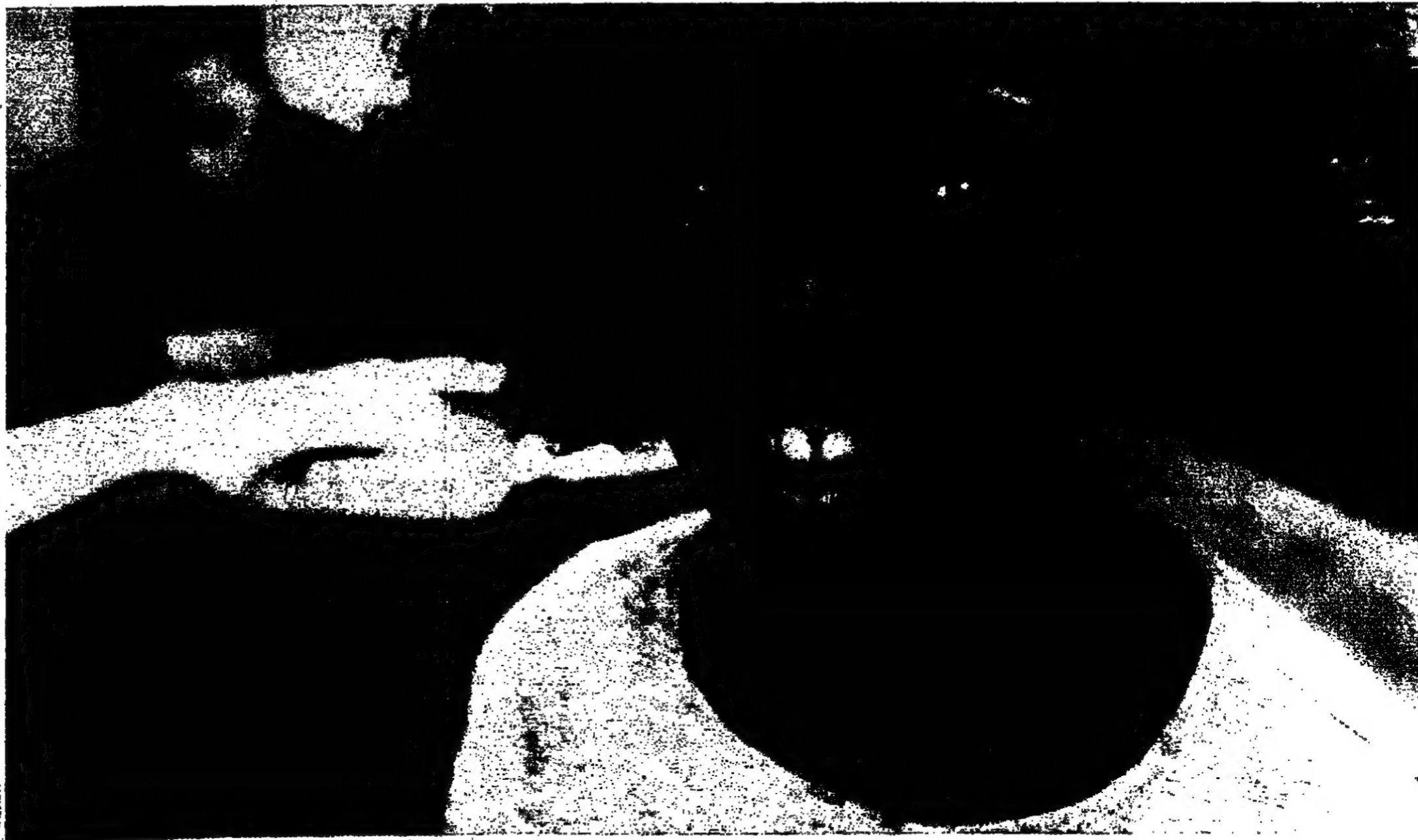
Public confidence in the IRS has been undermined by revelations last year of how tax collectors victimised taxpayers. The government and Republican senators have launched wide-ranging proposals to overhaul the service.

Mr Rossotti, the IRS commissioner appointed earlier this year, said new technology was "desperately needed", particularly in telecommunications. But he warned that new computers needed to be introduced alongside a new management structure. Richard Wolfe, Washington

Look on the bright side. There'll also be lots more cherries and watermelons in the future. Because at our agribusiness, Hoechst Schering AgrEvo, we aim to utilize biotechnology in improving crop production and protection for harvests that are more bountiful than ever. After all, the cultivated areas of the world won't get any bigger. But our children will. And it's their future that's at stake.

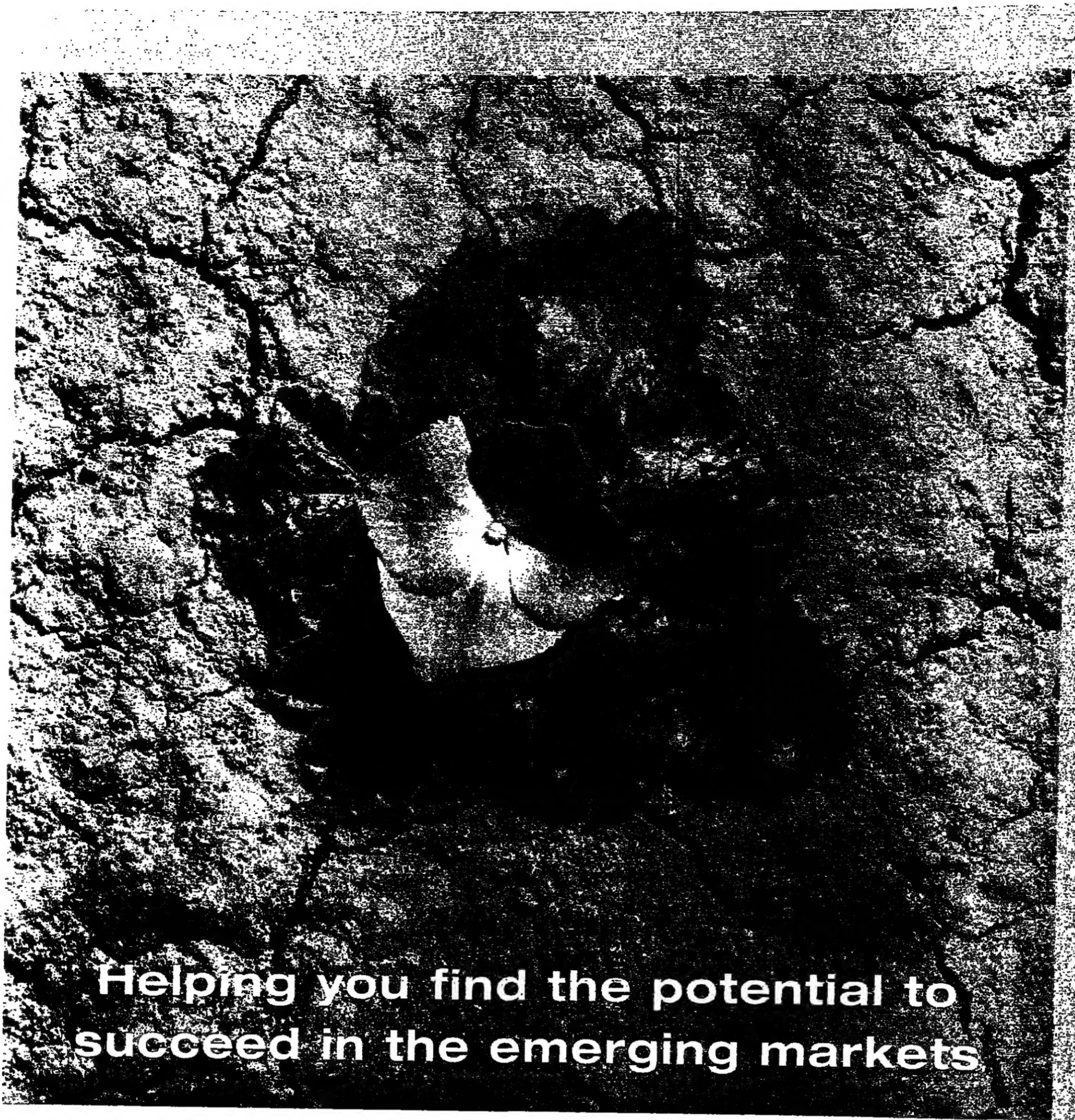


Imagine a world filled with more spinach, Brussels sprouts and lima beans than you ever thought possible.



AgriEvo is the agribusiness of Hoechst, an international group of companies spearheading innovation in Life Sciences.

Hoechst AG, D-65926 Frankfurt, <http://www.hoechst.com>



## Helping you find the potential to succeed in the emerging markets

Standard Bank Group was created, tested and found true in the most demanding of financial environments. As a result, we are financially strong, flexible and innovative - advantages that can help you overcome the challenges of business, wherever they arise, wherever you want to reach. Innovative responses are our business in:

- Emerging Capital Markets
- Resource Banking - mining finance, base and precious metals trading

- International Trade Finance
- Structured Trade and Commodity Finance
- Primary and secondary Forfaiting Markets
- Project Finance and Advisory Services
- Treasury and Forex Services



**Standard Bank  
London**

A member of the Standard Bank Group of South Africa

**We share your ambitions**

**LONDON:**  
Sharon Thomas  
Standard Bank  
London Limited  
Tel: (44 171) 929 0999  
Fax: (44 171) 815 3099

**NEW YORK:**  
Jim Bonfils  
Standard New  
York, Inc  
Tel: (1 212) 407 5124  
Fax: (1 212) 407 5025

**HONG KONG:**  
Jae-Min Cho  
Standard London  
(Asia) Limited  
Tel: (852) 2822 7888  
Fax: (852) 2822 7999

**MOSCOW:**  
Cor Timmermans  
Standard Bank  
London Limited  
Tel: (7 095) 721 3802  
Fax: (7 095) 721 3801

**STOCKHOLM:**  
Henric Thörnberg  
Standard Bank  
London Limited  
Tel: (46 8) 611 9611  
Fax: (46 8) 611 6615

Standard Bank London is regulated by The Securities and Futures Authority and is a member of the London Stock Exchange, the London Bullion Market Association and the London Metal Exchange.

### WTO chief warns on trade groups

By Peter Dinkley in Washington

WTO chief Dinkley has warned that the world trade system is under threat from a number of factors, including the rise of protectionist policies in some countries. He said that the WTO must continue to work closely with its member states to ensure that the global trading system remains open and free. Dinkley also highlighted the challenges posed by emerging markets and the need for continued reform within the organization. He emphasized that the WTO's role is to facilitate trade and economic growth, and that it must remain vigilant against any attempts to undermine the multilateral trading system.

### Carter urges spending i

President Jimmy Carter has urged Congress to increase spending on infrastructure and social programs. He said that such investments are crucial for the long-term economic health of the United States. Carter also called for a renewed commitment to education and research and development, arguing that these areas are essential for maintaining the country's competitive edge in the global market. He stressed that the federal government has a responsibility to ensure that all Americans have access to the resources they need to thrive.

هكنا من الصل



## ASIA-PACIFIC

FISCAL REVENUE FOREIGN-INVESTED ENTERPRISES TO BE TAXED ON THE SAME BASIS AS DOMESTIC-OWNED COMPANIES □ CONCESSIONS TO REMAIN IN SOME SECTORS

## China plans to remove tax breaks for foreign businesses

By James Harding in Shanghai

China is aiming to remove the preferential tax rates for foreign businesses by 2000, bringing international manufacturers in line with the higher income tax rate paid by Chinese enterprises.

The merger of the tax systems for foreign and domestic companies could more than double the tax burden on foreign-invested enterprises and may deter further international investors just as inflows of foreign

capital have started slowing in China.

The State Administration of Taxation (SAT), which is under pressure to increase fiscal revenues to fund China's ambitious infrastructure programme and rising welfare bill, has drawn up plans to remove the basic anomalies between foreign and domestic income tax payments.

Foreign manufacturing businesses typically enjoy a tax holiday in China that includes two tax-free years

after the venture starts making a profit and a further three years paying only 50 per cent of the regular income tax rate. Some foreign businesses enjoy even more favourable treatment lasting beyond the initial five-year tax concession, depending on sector, geographical location and special deals negotiated with the government.

A SAT official said yesterday: "We have two income tax laws, one for domestic companies and one for com-

panies with foreign investment. It is clear that the two laws will be merged into one." However, he sought to allay the fears of foreign investors, adding that "this will not mean the end of all favourable treatment for foreign investors". SAT is not expected to abolish all tax breaks in a single stroke, but aims to dismantle most of the benefits, leaving room for certain concessions in sectors and areas where Beijing is particularly eager to lure foreign investment.

The China Business Times, a state-owned newspaper, yesterday quoted SAT sources as saying: "Foreign-invested companies will be subject to the same income tax as their Chinese counterparts before the year 2000." They added that the current two-track system for income tax does not conform with the principles of equal taxation, fair competition and even treatment in China.

Elizabeth Thong, a solicitor at Simmons & Simmons in Shanghai, said SAT had

been under increasing pressure to establish equal tax rates from domestic companies which often pay more than double the income tax of their foreign competitors. "More and more Chinese enterprises have been lobbying the SAT, concerned that they are not able to compete with foreign-invested enterprises. They say they are operating at a disadvantage because they do not enjoy similar concessions."

The Chinese government has long been considering

moves to unify the income tax rate for foreign and domestic businesses but efforts to improve China's patchy system of tax collection received a new impetus last month with the appointment of Zhu Rongji as prime minister. Mr Zhu has set the reform of the taxation system, which was last overhauled in 1994, as one of the government's key tasks.

Demands for higher tax revenues have focused attention on foreign-invested enterprises, which officials

suspect are not paying as much tax as they should.

In editorial on the front page of the Shanghai-based Business News this week, the government must not neglect tax evasion by foreign investors. The report said foreign-invested enterprises were claiming losses on their businesses in China. From 1991-95, the Chinese tax authorities uncovered cases of tax evasion at foreign-invested enterprises and their subsidiaries worth ¥5.2bn (\$747m).

## Asian lay-offs

Continued number of jobs losses up until

(1998)

Oct 1997 227  
Nov 1997 227  
Dec 1997 275  
Jan 1998 283

Thailand Lay-offs by sector

January 1997-January 1998 (1998)

Private 115  
Public 110  
Construction 110  
Services 110  
Manufacturing 110

Source: Ministry of Labour, Thai Labour Economics and Social Development Unit

Number of companies registered

Private 115  
Public 110  
Construction 110  
Services 110  
Manufacturing 110

Source: Ministry of Labour, Thai Labour Economics and Social Development Unit

## ILO warns of social unrest risk in Asia

By John Riddling in Hong Kong and Robert Taylor, Employment Editor

A sharp increase in Asia's unemployment and the weakness of social protection schemes is raising the risk of instability in countries hit by the regional economic crisis, the International Labour Organisation warned yesterday.

"The combination of sharp and unexpected social pain and a lack of relief is fertile ground for breeding social unrest," said the ILO.

Its report, which focuses on Korea, Thailand and Indonesia, will be submitted to an ILO-organised conference of regional government officials, trade unions and employers organisations in Bangkok later this month.

The report warns that the "impressive reductions in poverty" achieved over the past 20 years in many Asian countries will be reversed. It criticises in particular "the contamination of market processes by politics" which it believes must be contained if regulatory changes are to succeed.

According to the ILO, the trend of poverty reduction in countries recently hit by economic crises is set to be reversed. Unemployment and under-employment will rise sharply, while those still in work will suffer a fall in real incomes as a result of falling labour demand and inflation.

In Indonesia, the rice equivalent of the daily minimum wage fell from 6,250kg to 4,750kg during 1997, the ILO said.

It predicts unemployment in Indonesia will rise to up to 10 per cent this year, against 5 per cent in 1996. In South Korea, the jobless rate rose from 2.3 per cent last October to 4.7 per cent at the end of February.

In Thailand, official forecasts of 5.6 per cent unem-

ployment by the end of the year, against 3.4 per cent at the end of 1997, are seen by the ILO as too optimistic.

"In the face of this massive crisis, and despite various efforts to contain its social costs, the response so far has been inadequate."

In South Korea, company-based unions had been unable to negotiate alternatives to sackings.

In Thailand, the low level of unionisation obstructed negotiated solutions; in Indonesia, the fall in membership resulting from sackings has weakened the unions.

Rather than obstructing economic recovery, strengthened and organised labour bodies were necessary to address problems arising from the crisis, and to avoid repetition.

"A democratic deficit allowed political interference in the market process which led to a misallocation of investment resources," said Eddy Lee, the ILO's chief policy analyst.

To defuse social tensions arising from the economic downturn, the ILO urged an increase in social protection. "Just as the Great Depression forged a new social contract in many industrialised countries in the 1930s, so the current Asian crisis must be an impetus to creating a more socially-oriented model."

Recommendations include development of unemployment insurance, an improved social safety net and minimum pensions. Free and representative unions were needed to act as effective interlocutors with employers' organisations and governments.

The report has been prepared for an ILO-organised conference in Bangkok next week, on social responses to the financial crisis.

## Sharp fall in Japan department store sales

By Paul Abraham in Tokyo

Tokyo department store sales plunged more than 20 per cent in March year-on-year, the worst fall since records began in 1982.

The collapse was exacerbated by frenzied buying last year before an April 1 increase in sales tax, but analysts said the discouraging data underlined the dire state of domestic demand. It was the 12th consecutive month of declines.

The sales data, the first important economic figures announced each month, will provide further ammunition

for international critics of the Japanese government's handling of the world's second largest economy.

Hikaru Matsunaga, the finance minister, yesterday arrived in Washington to face a barrage of criticism at a meeting of finance officials from the Group of Seven major industrial nations.

Robert Rubin, US Treasury secretary, said the focus of the meeting would be Japan. "It is of enormous importance to Asia and the rest of the world that Japan gets back on track," he said. A combination of low wage inflation, reduced

bonuses and lower overtime is having a big impact on household incomes.

Consumer confidence is being further undermined by a sharp increase in bankruptcies and record unemployment numbers. The latest grim data are backed up by the 20.7 per cent year-on-year fall in vehicle registrations last month.

"The Tokyo department store figures are notoriously volatile. A wet afternoon, or an extra working day can have a big impact," warned Michael Nieldret, economist at Dresner Kleinwort Benson.

He said the sharp decline was particularly disappointing because taxpayers had received the first tranche of income tax cuts in February, but there had been no sign that these were being spent in March. There have been repeated calls from US officials for income tax cuts in Japan, which they believe would help boost domestic demand.

However, there are fears that in the present climate consumers would save the money rather than spend it. Ryusaro Hasegawa, the prime minister, is under pressure to make income tax

cuts permanent, a move that might convince consumers to save less. The ministry of finance has recently launched a poster campaign featuring cartoons aimed at encouraging spending.

The Japan Department Stores Association said sales in the Tokyo area fell 21.4 per cent to ¥218.7bn (\$1.67bn). The decline followed falls of 5.6 per cent in January and 5.4 per cent in February. It expected that sales would rebound in April as an annual basis, but that they would show a decline again in May and thereafter.

The collapse in consumer

demand is feeding through to higher inventories and lower production. The ministry's international trade and industry revised down its industrial output data for February. Production was down 3.9 per cent compared with the same month last year and inventories rose 0.7 per cent.

Separately, the Japan Iron and Steel Federation announced the country's production of crude steel fell 8.7 per cent last month compared with a year earlier. It was the fourth consecutive month year-on-year falls.

## Hashimoto prepares to take Yeltsin fishing in hope of a big catch

Gillian Tett reports on a thawing in relations as Tokyo weighs the chances of recovering the disputed Kurile islands

Boris Yeltsin may well be surprised by the warmth of the greeting extended by Ryutaro Hashimoto when the two men met in the seaside resort of Kawanu at the weekend.

There will be unusual fanfare. They may fish and sit in saunas. Mr Hashimoto, the Japanese prime minister, will follow up with plenty of gifts - on trade and such like - ensuring Mr Yeltsin, his Russian counterpart, does not return home empty-handed. The Japanese generosity reflects the warming of relations between Tokyo and Moscow over the past 12 months, which stands in stark contrast to nearly five decades of coolness.

At the heart of this thaw is a realisation in Japan that Mr Yeltsin represents the best hope for a settlement over four disputed islands occupied by Russia but claimed by Japan. Japan is wooing Russia with promises of loans and other economic assistance. Many in Japan believe an opportunity for a settlement over the islands, known as the Kuriles in Russia and the Northern Territories in Japan, may not re-emerge for decades. The recovery of the islands from Moscow is a matter of immense national pride

noyark, the two countries reached a landmark agreement to try to settle the dispute over the islands.

A settlement of the islands dispute is considered a prerequisite for a broader peace treaty; it has also held back Japanese economic support to Russia.

At Krasnoyarsk, the two leaders agreed on economic co-operation to help integrate Russia into the global economy, support Russian economic reform, and advance energy development in the Russian Far East and Siberia.

Since then, Japan has announced an unpre-



has agreed to allow Japanese fishermen access to the waters around the disputed islands.

The Japanese government is keen to capitalise on this

Many in Japan believe an opportunity for a settlement over the islands, known as the Kuriles in Russia and the Northern Territories in Japan, may not re-emerge for decades. The recovery of the islands from Moscow is a matter of immense national pride

denied \$1.5bn in united loans to Russia, one of the largest ever to be made by the Tokyo's Export-Import Bank.

Yesterday, the Japanese government said it was considering reversing a rule that trade insurance for Russian projects must carry a guarantee from the Russian government or a leading bank. The move is designed to make it easier for Russian companies to import from Japan, Russia, for its part,

progress of recent months. Japan sees closer relations with Russia as crucial to regional security.

In a seminal speech last summer, Mr Hashimoto acknowledged that of the four main powers with the greatest influence on regional security - US, China, Japan and Russia - the relationship between Japan and Russia was the weakest. At the same time, both Japan and Russia see

better bilateral relations as a counterweight to China's rising influence in the region.

The Krasnoyarsk agreement was born out of a surprise proposal by Mr Yeltsin. This has encouraged the Japanese authorities to believe that the Russian president could make a politically difficult decision to return the islands.

Japan's programmes for economic support to Russia are an attempt to make Mr Yeltsin's decision a little easier, says Shigeki Hakamada, professor of international political studies at Aoyama Gakuin University.

However, as hopes rise, there are strong concerns that both sides are being optimistic. "There is a certain illusion on the part of both Japan and Russia that could turn into disillusion as 2000 approaches," says Mr Hakamada.

The Japanese illusion is that Mr Yeltsin will make the political decision to return the islands, he says. While Mr Yeltsin has come across as more flexible than past Russian leaders on the issue, any decision to hand over the territories will be an extremely difficult one to take politically as most Russians believe the islands belong to Russia.

The Russian illusion, says Mr Hakamada, is that Japan has decided to separate the issue of the islands from that of economic assistance. The Russian public does not understand that under the Yeltsin-Hashimoto agreement forged at Krasnoyarsk, resolution of the territorial issue is the basis for a peace treaty, he says.

A lot more fanfare and fishing may lie ahead before national flags are swapped on the disputed islands.

## Tough talks in prospect over Indonesian debt

By Susan Robinson in Jakarta and John Authers in New York

Negotiations on resolving Indonesia's massive private foreign debt overhang began yesterday in New York against a backdrop of confusion in Jakarta and growing division in the camps of both international lenders and their Indonesian debtors.

Bankers close to the negotiations, which are being held at the headquarters of Chase Manhattan in New York, said the talks were likely to last longer than the meetings over Korean debt earlier this year and will probably continue for another two days. Indonesia's private foreign debt is put at more than \$74bn.

A series of contradictory signals from the Indonesian government on economic reforms has fuelled fears that the country could once again backslide on pledged reforms.

A 117-point reform package was agreed last week with the International Monetary Fund and Indonesian President Suharto this week reaffirmed his intention to carry out the programme. But recent developments have already begun to erode international confidence in Indonesia's commitment to reform.

"The story is not about the pledges made, it's about prospects for their implementation - it's about the utter lack of co-ordination and the creeping feeling that one arm doesn't know what the other's doing," said a western diplomat in Jakarta. The latest confusion was triggered by a conflict between cabinet ministers

over palm oil exports, which were banned in January in an attempt to stabilise domestic prices. Prices for palm oil and by-products - staple items in the domestic market - soared as the rupiah plunged in January to a low point of 17,000 against the dollar.

Under its last agreement with the IMF the government said it would lift the ban by April 2 and replace it initially with export tax of up to 40 per cent, to be reduced after prices stabilised.

But Mohamed "Bob" Hasan, trade minister and a close friend of Suharto, cast doubts on the plan this week when he said the ban would be maintained indefinitely, despite the IMF agreement. "This is the Republic of Indonesia, not the IMF republic," Mr Hasan told an Indonesian newspaper.

Other senior officials rushed to deny Mr Hasan's assertion. But analysts said the confusion had already done the damage. "The Indonesian rupiah and the Jakarta stock market fell for the third consecutive day after an initial boost in the wake of the IMF agreement."

The most disturbing aspect of the latest confusion is the timing. The IMF's executive board is set to approve the Indonesian agreement and release the second \$3bn tranche of IMF-sponsored \$43bn rescue package. The board is expected to meet next week. If IMF officials have already released the money will be released in smaller lots, step with a checklist and get dates for the implementation of pledged reforms.



WHAT BROUGHT THEM TOGETHER? THE BIRTH OF A STOCK MARKET. WHAT KEEPS THEM TOGETHER? THE BANK OF NEW YORK.

In January of 1996, under the open-market forces of perestroika, Vagit Alekperov and Dr. Betty Tibbs took their place in history. Three thousand shares of Russia's Lukoil changed hands in U.S. markets for the first time ever. • Since then, dozens of Russian companies have accessed money from overseas capital markets through a tool called the Depositary Receipt. • The bank selected to make this happen? The Bank of New York. • Today, thousands of clients worldwide are using The Bank of New York to enhance relationships with their investors. In Russia, Chairman Vagit Alekperov and investor Dr. Betty Tibbs are just one example. • Visit us at [www.bankofny.com/adr](http://www.bankofny.com/adr)

SOLUTIONS FOR INVESTORS AND ISSUERS WORLDWIDE

ISSUER: Vagit Alekperov.

INVESTOR: Betty Tibbs, M.D.

GLOBAL CUSTODY

ADR'S

SECURITIES LENDING

TRANSFER AGENCY SERVICES

GLOBAL CLEARANCE

CORPORATE TR

CAR INDUSTRY VAUXHALL BOSS TO FORGO BASIC \$267,000 IN ATTEMPT TO PERSUADE WORKFORCE TO ACCEPT PRODUCTIVITY DEAL

# No pay this year for top GM executive

By Neil Simonian,  
Motor Industry Correspondent

Nick Reilly, chairman of the Vauxhall offshoot of General Motors, is to waive his £160,000 (\$267,000) salary this year in an attempt to persuade workers to accept a radical three-year pay and productivity package.

Other directors will take a cut and some senior managers have accepted an earnings freeze.

The package will limit pay increases, reduce wages for new employees and intro-

## Graduate 'sorted himself out' on hill

Welsh-born Nick Reilly worked as a stockbroker after graduating from Cambridge University. He took time off to spend four months in a hut on a hill near his birthplace to "sort a few things out". His General Motors career started at the

Detroit Diesel Allison Division in the English Midlands. After over seven years he returned to the UK in the 1980s. He became vice-president of GM's European HQ after three years as a director of Vauxhall's plant in north-west England.

duce greater flexibility to raise Vauxhall's competitiveness within GM's European operations. The company will promise

in return not to impose compulsory redundancies despite the severe overcapacity and cut-throat competition in the European car market. Rejection

of the deal would raise a serious question over Vauxhall's Luton plant in southern England. The Vauxhall model it produces is due to be replaced in three years.

Mr Reilly said in a letter to employees yesterday that GM believed it could meet demand for the next-generation Vectra from two plants, rather than three at present. Vectras are also built by GM's Adam Opel subsidiary in Belgium and Germany.

Luton is the most exposed factory because it is relatively old. Vauxhall's posi-

tion within GM Europe has also been handicapped by the strength of sterling. UK-built vehicles are now up to 30 per cent more expensive than identical cars made in Germany.

Workers at GM's mainland European plants have accepted stringent wage and productivity packages.

Mr Reilly said he and other senior executives were making personal sacrifices to counter suggestions that the threats over Luton's future were "a sham" to disguise the fact that Vauxhall

was "just trying to be greedy".

Citing the closure of Renault's Villorbo plant in Belgium and job cuts at Ford's plant at Halewood, in north-west England, he said accepting the package would allow Vauxhall to maintain production at current levels.

The Vauxhall boss's pay cut was supported by the Institute of Directors, which described it as "sensible".

Observer, Page 13; Kie dispatch, Page 15; Lax, Page 21

## BAe hopes Siemens deal will close competition gap

Mike Donovan, to head a new defence unit, sets out the group's strategy following its latest purchase. Alexander Nicoll reports

British Aerospace believes its acquisition of Siemens Plessey's UK defence electronics businesses will add a vital organ to its group structure.

The move - cleared this week by the UK government - will enable BAe to form a new defence systems division, filling an important gap in its ability to compete for defence contracts worldwide. BAe is paying Siemens of Germany £320m (\$534m) for the UK and Australian arms of Siemens Plessey. The remainder will go to Daimler-Benz Aerospace.

BAe hopes to be seen as an all-rounder, capable of managing and integrating entire weapon programmes, rather than as an aircraft maker to which some other capabilities have been attached.

The new division, headed by Mike Donovan, has annual turnover of £600m, but BAe hopes to boost this. Mr Donovan was managing director of Rolls-Royce Motor Cars before joining BAe in 1994 to run its regional aircraft business.

He now seeks to create a unit which responds to the trend towards integrated, joint-service solutions. The UK's strategic defence

review will produce extensive reform of procurement practices, involving industry in the earliest stages of system design.

"You used to have individual services buying platforms to their own specifications," says Mr Donovan. "Now the customers want to articulate what their problem is in the battlespace, and it is up to industry to come up with solutions which deal with the threat."

Mr Donovan says the defence systems unit will compete with other providers for work on BAe-led aircraft programmes as *prime integrators*, sharing a common view with its parent of "where technology is going".

"We will compete as British Aerospace, as a boundaryless organisation. Our skills and capabilities are not landlocked within the parts of the group," says Mr Donovan.

The new division brings together:

- Siemens Plessey (Defence Systems), which has 2,300 employees and makes air defence weapons including the Sampson system due to be installed on the Royal

Navy's next-generation frigates. It has a stake in the Archer consortium which will make the British army's Bowman radios and interests in missile defence and satellite communications.

- A 50 per cent stake in Bae Sema, a naval systems venture.

- A 49 per cent holding in STN Atlas Elektronik, a German systems company bought jointly last year with Germany's Rheinmetall, which makes naval and land systems and is the prime systems integrator for German Leopard 2 tanks.

- A 50 per cent stake in Sika, a venture with Lockheed Martin of the US which is competing to meet a £2bn US/UK requirement for Tracer advanced reconnaissance vehicles.

BAe says this collection places the group third in the world in systems integration, behind Lockheed and GECC-Marconi.

The acquisition of Siemens Plessey returns UK assets to British ownership. But BAe believes that it is now in a stronger position ahead of the restructuring of the European defence industry, for which the group has long argued and which the French, German and British governments support. However, Mr Donovan says BAe will look worldwide for possible expansion.



Bowman radios are on trial with the British army. Mike Donovan (inset) hopes to spot "where technology is going"

## BSkyB files writ against digital TV rival

By Cathy Newman in London

British Sky Broadcasting, the satellite operator, has begun legal action to try to prevent British Digital Broadcasting selling boxes needed to unscramble digital terrestrial television signals.

BSkyB yesterday issued a writ against BDB, owned by Carlton Communications and Granada Group, claiming that BDB's boxes would

not be fully compatible with its own. News Corporation, Rupert Murdoch's media conglomerate, is the biggest shareholder in BSkyB.

The writ alleges that BDB has breached an agreement signed on June 20, when BSkyB was forced to pull out of BDB because of regulatory concerns. BSkyB is launching a 200-channel digital satellite service in June, while BDB plans to start

broadcasting at least 15 terrestrial channels in the autumn.

By using different technology to BSkyB in its set-top boxes, the writ claims, BDB will not be able to run some of BSkyB's services and an electronic programme guide to digital channels similar to the satellite company's own.

BSkyB does not want customers to be confused by

conflicting technologies and is seeking an injunction to prevent BDB marketing or selling boxes which are not "fully interoperable". The company was unavailable for comment last night.

But BDB indicated it was prepared to co-operate with BSkyB's demands. "We are ready and willing. BSkyB should stop litigating and start co-operating," Nigel Walsley, director of BDB

said. Although BDB admits its customers would not be able to receive a full version of BSkyB's electronic programme guide, the company denies its boxes will not be interoperable with digital satellite decoders.

Mr Walsley suggested that BSkyB's decision to issue a writ was motivated by commercial rivalry.

SES offering, Page 16

## Germans and French take building jobs

By Jonathan Guthrie in London

French and German construction workers are being lured to Britain by plentiful work, the Royal Institution of Chartered Surveyors said yesterday.

Meanwhile, skilled building workers who moved out of the UK to work in the early 1990s are flooding back

to the country because the construction industry is healthier than it has been for 10 years, it added.

"Housebuilding is buoyant, the leisure industry is going crazy and the retail market is very strong," said Richard Houghton, RICS construction spokesman.

Mr Houghton said the boom was causing growing

shortages of skilled labour. "The debilitating shortage of bricklayers continues to get worse, with 80 per cent of firms reporting difficulties, a 7 point increase on last quarter," he said. Plasterers and carpenters were also in short supply.

Skill shortages are contributing to strong rises in construction costs. According to

the RICS, costs rose by 6.9 per cent year-on-year in the last quarter of 1997, challenging previous peaks in the late 1980s.

Output grew for the eighth successive quarter between December and the end of March, contributing to a year-on-year increase in workload of 16.8 per cent, according to the RICS's Con-

struction Market Survey. The institution said the outlook for the next 12 months was good, with construction companies benefiting from Millennium building work.

The strong performance contrasts with a steep decline in the early 1990s. The rebound began last year.

Lax, Page 21

Meanwhile, the headline Protestant Democratic Unionist party yesterday launched a campaign to oppose the peace agreement in the May referendum.

The Rev Ian Paisley, the party leader, said: "The reaction of ordinary unionists is one of outrage and amazement that any unionist leader could set his hand to such a deal which so fundamentally weakens the union and which would place this province inexorably on the road to a united Ireland."

Editorial Comment, Page 13

### NEWS DIGEST

#### IMMIGRATION

## Human rights groups hit at detention centre regime

The regime at the Campfield immigration detention centre near Oxford is condemned today in a report by human rights groups. The Asylum Rights Campaign, which investigated the centre after detainees rioted in August last year, says it is "not viable as it is run at present". Campfield is one of a handful of detention centres and prison wings which each year hold up to 4,000 refugees awaiting asylum. It holds around 200 of the 800 people detained at any one time. The criticisms come on the day the chief inspector of prisons, who has also carried out an investigation into the centre, is expected to attack the government's policy of detaining asylum seekers. Researchers for the campaign say that Campfield, run by Group 4 Total Security Services, is "an institution that is permanently on a knife edge." Simon Buckley, London

#### SOCCER

## Players' wages threaten profits

The boom in the popularity of soccer boosted turnover at England's top clubs to record levels last year but rising wages for players remain a big threat to profitability, says a report today. The survey of the 20 English Premier League clubs by accountants Deloitte & Touche reveals that while combined turnover climbed 32 per cent to £455.4m (\$760.5m) last season, wages increased by roughly 35 per cent to £135m. The league was led by Manchester United. Its turnover of £88m was double that of its nearest challenger and its operating profit of £26.2m (which excludes transfer deals and financing costs) accounted for 30 per cent of the Premiership's total of £88m. Patrick Haverson, London

#### FILM INDUSTRY

## Channel Four to expand output

Channel Four television seeks to expand its output of films through its newly-formed Film Four offshoot by striking a financing and distribution deal with a US independent film production company. Jeff Berg, chairman of the big US agency ICM, is trying to reach a deal on Channel Four's behalf with a production group. The deal would involve its US partner helping to finance expensive films. Channel Four intends to invest £28m (\$47m) in films this year and £32m next. Paul Webster, chief executive of Film Four, said a US deal would be part of a strategy to build overseas alliances. John Gapper, London

#### INSURANCE

## Environmental risks to be cited

Insurance suppliers and buyers are to issue unprecedented guidelines this summer to help companies identify environmental risks when they arrange insurance cover. The Joint Pollution Working Group includes the Association of British Insurers, the Association of Insurance and Risk Managers and the London Insurance and Reinsurance Market Association. It was set up after Cologne Re, a big German reinsurer, criticised the way environmental risk was insured. Insurance companies have also been alarmed by the litigation spawned in the US by efforts to clean up contaminated land under Washington's costly Superfund legislation. Layla Boulton, London

#### COMMERCIAL VEHICLE SALES

### UK truck registrations: March 1998

	Mar 1998	Mar 1997	Jan-Mar 1998	Jan-Mar 1997		
	Volume	% share	Volume	% share		
Total	4,777	24.8	108,0	12,288	27.5	
Imports	3,427	53.8	71.7	8,473	48.2	
Leyland (of Plessey)	1,008	23.8	21.1	2,808	22.2	
Irveco Group* (Fiat)	1,021	1.8	25.3	2,365	17.4	
Mercedes-Benz (Daimler-Benz)	738	43.0	15.4	1,095	34.3	
Volvo	520	11.1	11.1	1,376	16.8	
Scania (Scania)	454	12.4	9.5	1,458	30.2	
MAN	412	86.1	8.6	985	57.5	
DFP	281	182.5	6.1	27	709	41.2
Renault	223	77.0	4.7	472	50.3	

Percentages in brackets indicate variations

\* Irveco also covers Plessey

\* Includes Isuzu, Fiat and Scania

\* Figures in brackets indicate company's share of total sales. \*\* Includes sales, fleet and rental.

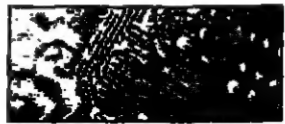
## Imports take bigger share

Imports increased their share of the market for commercial vehicles of all types last month, figures from the Society of Motor Manufacturers and Traders showed. Imports accounted for 53.9 per cent of sales, up from 48.8 per cent a year before. For the first quarter, imports accounted for 53.7 per cent, up from the 1997 period's 48.5 per cent. Combined demand for imported and UK-made commercial vehicles increased by 26.8 per cent in March compared with the same month a year before. Light vans, mainly derived from cars, saw a 30.4 per cent increase in registrations; panel vans, typified by Ford's market-leading Transit, saw a rise of 28.5 per cent, while trucks - vehicles of more than 3.5 tonnes - saw a 24.7 per cent increase. Registrations of buses and coaches rose by 17.2 per cent. John Griffiths, London

CORPORATE TRUST • CREDIT SERVICES • CURRENCY MANAGEMENT • CASH MANAGEMENT • EXECUTION SERVICES

THE BANK OF NEW YORK

## MANAGEMENT &amp; TECHNOLOGY



TECHNOLOGY WORTH WATCHING

## Process makes power from old lumber

A group of German researchers has developed a process for converting unwanted wood into gas, which can be used to generate electricity and heat.

The process uses "fluidised bed gasification" to convert the wood into gas, which is then cooled and used as fuel for an engine. Its overall efficiency is much higher than if the wood was burned and the heat used to drive a steam turbine.

The biomass cogenerator, was developed by the Fraunhofer Institute for Environmental Safety and Energy Technology, Fraunhofer Institute for Environmental, Safety and Energy Technology, Germany, tel 2088598186; fax 2088598290.

## Battery breakthrough

Research by the Massachusetts Institute of Technology could lead to energy-efficient batteries. The researchers identified a new class of materials that could form the cathode - or negative electrode - of lithium batteries. Lithium batteries have the highest energy density of all rechargeable batteries, making them particularly suitable for relatively light items such as laptop computers. The snag is that the material normally used for the cathode - lithium cobalt dioxide - is expensive. The researchers substituted

aluminium, which is light and relatively cheap, for some of the cobalt. This raised the voltage of the battery while decreasing the density of the material, according to a report in Nature, the international science journal.

Massachusetts Institute of Technology, US, tel 6172531581; fax 6172588534.

## A blow for cold sufferers

New approaches to preventing colds could be opened up by the discovery of the structure of part of the receptor that allows cold viruses to enter the body.

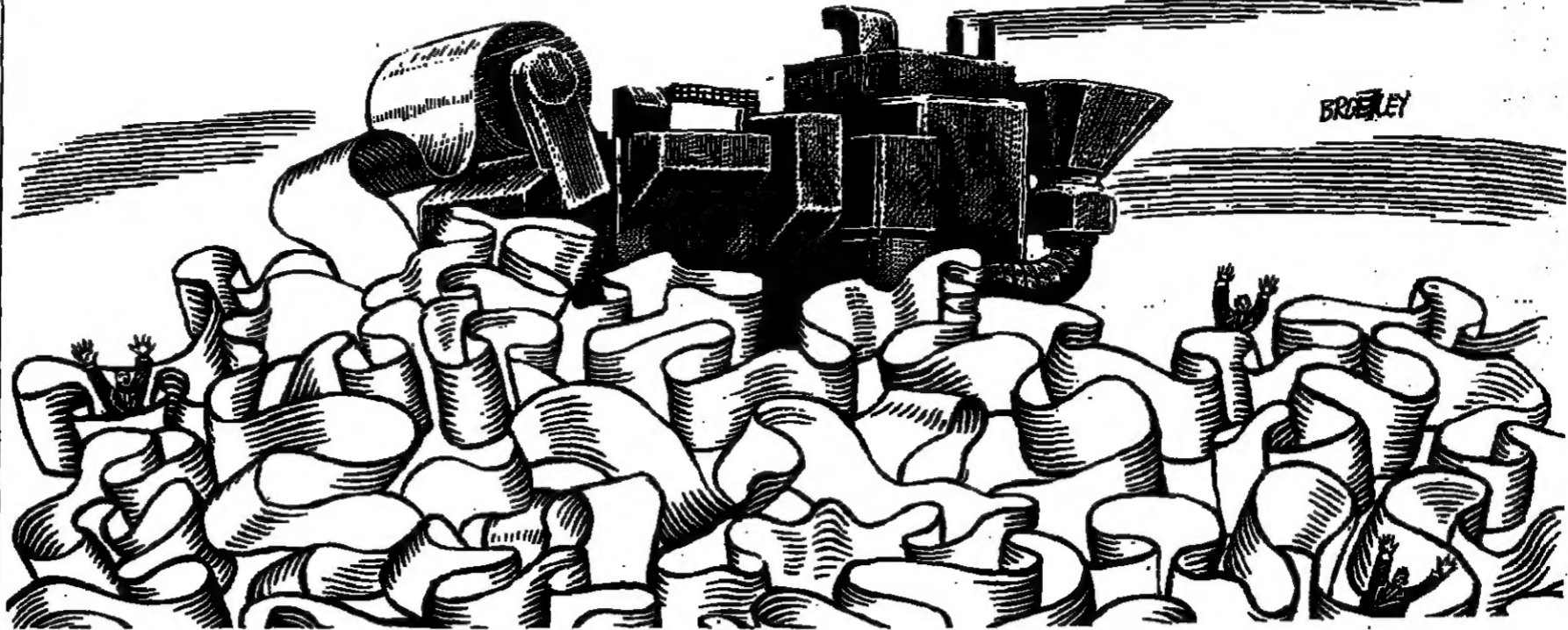
US researchers found that a common cold virus - rhinovirus 16 - contains 60 sites capable of connecting to a receptor, called ICAM-1 on human cells. The normal function of ICAM-1 is to hold white blood cells in place so that they can fight infection.

Using X-ray crystallography, the scientists found that the virus attaches to a different site from the one used by white blood cells. If scientists could prevent that interaction from occurring, it would be possible to eliminate many colds in humans without interfering with the normal function of the receptor.

Two teams, from Harvard Medical School and Purdue University have reported similar findings, described in this month's Proceedings of the National Academy of Sciences.

Purdue University, US, tel 7654942096; http://news.us.purdue.edu/

Vanessa Houlder



MANAGEMENT PAPER INDUSTRY

## Breaking with run-of-the-mill attitudes

The papermaking sector is at last considering innovations, such as customer care and consulting the workforce, that are standard practice elsewhere, says Tony Jackson

**THE** late 1990s are not a good time to be in capital-intensive industries. Competition is fierce, the cycles vicious and returns meagre. Among the sufferers are steel, petrochemicals and oil refining. But the worst of the lot is the industry.

During the 1990s, all but two or three of the world's papermakers have failed to cover their cost of capital. It is an unsustainable situation, with the companies themselves divided on how to rectify it.

In ways not unique to

their industry, they are prisoners of traditional thinking. Their response to abysmal pricing is to cut costs and consolidate yet further. Ideas such as pleasing rather than confronting the customer, or consulting rather than controlling the workforce, are in their infancy.

We explored these issues recently in separate but related conversations with two of the industry's bosses: John Dillon from International Paper of the US, and Eugene van As from Sappi of South Africa.

Sappi is the world's big-

gest fine paper company, while International Paper is the world's biggest paper company, period. Since 1995, International Paper's stock has halved relative to the US market. Against the Johannesburg market, Sappi's has fallen by three-quarters.

The case for consolidation is set out by Mr van As. First, he says, the size and cost of world-scale plants has soared in the past two decades. A pulp mill may cost up to \$1.5bn and a paper machine \$500m. These sums are beyond the reach of all but the largest of the indus-

try's makers. Second, these plants are larger in relation to their markets, and thus worsen the industry cycle. In Austria, Sappi is building a machine with annual capacity of 470,000 tonnes. The European market for the grade it makes is about 3m tonnes, rising at 8 per cent to 7 per cent a year. So one machine accounts for two years' market growth.

For Mr van As, the answer is clear. The world market for that particular paper grade is 17m tonnes. Sappi must therefore exploit its global position to sell that machine's output into North America and Asia.

But if Sappi's big competitors in those markets follow suit, the overcapacity problem is simply translated to a world scale. This is where the third motive for consolidation comes in.

Reduce the number of manufacturers, Mr van As argues, and you cut the risk of overbuilding and excess inventories - the two main forces driving the cycle - for the industry as a whole. The aim is what is politely known as an orderly market, but is this not another way of describing a cartel?

Not at all, Mr van As says. The past decade has seen the emergence of very large customers - that is, paper distributors - on both sides of the Atlantic. The result is an imbalance, with the supply of paper more fragmented than the demand.

This leads to confused market signals, with small suppliers building inventory one month and slashing prices the next. But customers do not care much what the price is, provided they are not paying more than their rivals.

A structure such as the food industry, with a handful of big supermarket chains and a few big manufacturers, would lead to price stability, and both sides would be happier.

Well, maybe. In the meantime, a note of belated

is creeping in. Mr van As is particularly peeved by customers who speculate in his product. "We've said very firmly that we will not build inventory for people to speculate against us," he says flatly. "We'll take down-time for our mills instead."

So there we have it: a cornered industry, which in the last resort sees its customers as the enemy. Over at International Paper, what does Mr Dillon make of this?

Perhaps unsurprisingly for the industry leader, his tone is more diplomatic. First, he says, his company has probably been the biggest force for merger in the industry. But the motive was globalisation rather than consolidation, which he does not see as a panacea.

"We're in some businesses where there are only two or three players, and they're very competitive," he says. Granted, consolidation might lead to better market signals. "But no matter how good the signal, you still have to do something about it," he adds.

The typical paper company, Mr Dillon argues, takes it as an article of faith that it has the lowest-cost capacity in the world. So even if the market is signalling a glut, companies will go on running their machines regardless.

This results in turn from an obsession with manufacturing efficiency. His company, Mr Dillon says, was historically no different. "We had the single belief that success came from a low-cost, highly efficient manufacturing strategy. You can't win without that, but you can't win on just that dimension."

So what else is needed?

Above all, a focus on the customer. Bizarre though it sounds, this evidently has the force of novelty. "If you wrote 'International Paper starts to think of customers', then we'd get hell," he says. "But though we've been in business for 100 years,

starting to think about what we can do with our customers is relatively new."

So in packaging, for instance, International Paper aims to sell its skills in graphics and design. Some customers will be offered help with their manufacturing and others offered advice on safety.

Another innovation, Mr Dillon says, is to use the knowledge of his production workers. Again, this is scarcely a novelty elsewhere: the world motor industry, for instance, learnt it from Toyota long ago.

But his industry, Mr Dillon says, has laid such stress on sophisticated process controls that the human element has been excluded. He now aims to consult workers on, for instance, small variations in the moisture content of paper across the machine. Improvements in productivity and quality, he says, have been striking.

Finally, Mr Dillon has discovered that it does not always pay to run his mills flat out. "History has always said producing more is a way to reduce your costs," he says. "But when you study it, marginal output can be very expensive. We're reducing production at some mills, and getting cost reduction."

That also gives us standby capacity, so when demand does come, we don't have to spend to meet it. That's very basic economics, but it's something we haven't understood or practised."

Mr van As and Mr Dillon are not short of solutions. But will they be in better shape to cope with the next cyclical downturn? Neither is sure: a fact that speaks volumes for the industry's morale.

"I think people will be very careful," Mr Dillon concludes. "But there are two horrible terms in any industry: I'm the low-cost producer, and it's different this time."

**MEMBER THE FIRST TIME YOU WERE FIRST.**

**Europe's punctual airline** In the race against time, Sabena keeps you on time. We set up a rigorous, closely-monitored system to ensure passengers enjoy punctual flights. When we fly on time, your travel and business meetings are that much easier. This is why you feel at ease with Sabena.

**sabena**

enjoy our company

## Auction Notice.

Bids are now being accepted to enter California's competitive power generation market.

California's electric restructuring continues with the successful implementation of a competitive power generation market. Pacific Gas and Electric Company is selling four fossil-fueled generating facilities and two geothermal generating facilities in Northern California. The fossil-fueled facilities include the 2,022 megawatt Pittsburg plant, the 680 megawatt Contra Costa plant, the 423 megawatt Hunters Point plant, and the 363 megawatt Potrero plant. Additionally, geothermal facilities consisting of the 978 megawatt Sonoma County plant and the 246 megawatt Lake County plant will be sold. The first stage of the bidding process has started. To obtain more information and a confidentiality agreement, call David Nassro at Morgan Stanley & Co. Incorporated: 212 761-7563

**Pacific Gas and Electric Company**  
www.pge.com/bidvestnet

CINEMA  
Incredibly angry

INTERNATIONAL  
Arts Guide

AMSTERDAM  
OPERA  
Hollandische Opera Het  
Muziektheater  
Tel 020 612 1111  
Worcester  
1998 production  
Worcester  
Hollandische Opera  
concerts  
Apr 16

BERLIN  
CONCERT  
Staatsoper unter den Linden  
Tel 030 30 26 00  
Berliner Philharmoniker  
conducting  
Apr 16

BERLIN  
CONCERT  
Staatsoper unter den Linden  
Tel 030 30 26 00  
Berliner Philharmoniker  
conducting  
Apr 16

مكتبة الامير

THE ARTS

CINEMA

# Incredulity rules as angst is exorcised

This is the greatest anti-political correctness comedy we may ever see, writes Nigel Andrews

Is the rebellion happening at last? Only recently, in *As Good As It Gets*, Jack Nicholson got in 30 minutes of pet hates and prejudices before the police arrived. He was then de-Screwed with help from a loving woman, a little dog and lots of contrite dialogue.

In *Deconstructing Harry* Woody Allen makes the greatest anti-political correctness comedy we may ever see, with no deathbed repentance. From the man we were told to hate by the tabloids a few years ago, circa the Farrow affair, here are 100 minutes of crazed, funny, redemptive indignation, volleyed back at self-righteousness, hypocrisy and indeed any belief system that claims the world can be a place of tidy rules and emotions.

Allen's distraught writer-hero rails against women, shrinks, parents, lawyers, Jews and himself. And why not? Literary rivals are out to get him. A vengeful ex-flame (Judy Davis) wants to shoot herself or him. Meanwhile he tries to exorcise his angst over psychotherapist wife Kirstie Alley and fanatical Hebrew sister Caroline Aaron by merging them, imaginatively, into a fictional Yiddish banshee played by Demi Moore: a mixture of Freud and Moses in drag.

Everyone here has a fictive alter ego as we shuttle between real life and mental "novelisation". The style is confusing for five minutes before we start relishing its richness. A hero-in-duplicate - Allen and his imagined self played by Richard Benjamin - presides over a jostling cast also including Billy Crystal, Elizabeth Shue, Mariel Hemingway and Robin Williams. This last plays an actor and third Allen projection who, surreally, can't get into focus for the camera. Literally, he

can't sharpen his own fuzzy outline.

The film's central character isn't just a curmudgeon. Life's complexity, and that of life's relation to art, fuels his wayward *delight* in life and art. As an actor-comedian-writer-filmmaker Allen has always been good at incredulity. He made "I don't believe this" a catchphrase long before the Victor Meldes.

**DECONSTRUCTING HARRY**  
Woody Allen

**GREAT EXPECTATIONS**  
Alfonso Cuarón

**MIDNIGHT IN THE GARDEN OF GOOD AND EVIL**  
Clint Eastwood

**GUMMO**  
Harmony Korine

**HARD RAIN**  
Mikael Salomon

**LIKE IT IS**  
Paul Oremland

new character in the television programme *One Foot In The Grave*.

So it is right that when his celebrity author-hero finally fetches up at the movie's only real plot destination - an honours ceremony at his old university - he brings his chaos with him. He arrives with a black prostitute, a kidnapped son and a dead body. Don't ask how; go and find out.

The movie's technique is as inventive as its bustling iconoclasm. When actor Woody isn't giving voice to heretical sex reveries or enlightened atheism - "Between air conditioning and the Pope I'll take air conditioning" - director Woody is playing cut-up with the sound or visuals.

He extends even further the raggedy documentary style of *Husbands And Wives*: handheld camera, cuts in mid-shot or even mid-sentence. And sometimes he throws in an unrelated shaggy dog story with new characters, so that we have to work out the relevance of (say) the elderly wife nervously inquiring into her husband's history as an axe-murdering cannibal.

This is a film to explore and exult in. I had suspected a failure of nerve when Allen's first films after his media crucifixion included a dainty comedy (*Manhattan Murder Mystery*) and a feature-long party political broadcast about his carping as a father (*Mighty Aphrodite*). He seemed to be saying, "Sorry, world, please love me." *Deconstructing Harry* says "Go jump in the lake, world. This is what I and the rest of bewildered, passionate humanity are like. Love us or leave us."

Anne Bancroft is the only reason to see *Great Expectations*, in which Dickens's novel is translated to modern-day Manhattan and Florida. Playing a gulf coast Miss Havisham, she lives in a Getty-sized mansion and seems to have emerged from some "Come dressed as Melina Mercouri" party. Blonde wig, lipstick, moue of a mouth, and enough eye-liner to sink a ship.

Being ambulant rather than chairbound, this Havisham literally dances rings around the ersatz Pip (Ethan Hawke) and his Estella (Gwyneth Paltrow). And when her guest-star stint is finished, she is replaced as plot catalyst by Robert De Niro, whose mod Magwitch is at least a reasonable substitute. Elsewhere, though there is some pretty photography insipidity reigns, or even pours.



Go jump in the lake, world: Kirstie Alley and Woody Allen in 'Deconstructing Harry'

Despite its bombastic title, a delightful air of unburied elegance permeates the first hour of *Midnight in the Garden of Good and Evil*. Clint Eastwood's adaptation of John Berendt's best-selling novel, writes Peter Aspin. John Kelso (John Cusack) is the New York journalist sent to Savannah to cover the legendary Christmas party of antiques dealer Jim Williams (Kevin Spacey).

He finds plenty to amuse him in an alien world of contrived gentility and wilful eccentricity, and is happy to play along, jousting good-humouredly with his sophisticated host and picking up some gratuitous love interest (Alicia Eastwood) along the way.

But his reporter's instincts are aroused; and after being lulled to sleep by the tape of extraneous city noises he has thoughtfully brought

with him, he wakes up with more than a 600-word society piece inside him - "It's like *Gone With the Wind* on methamphetamine," he tells his editor excitedly.

So far, the languorous pace and affectionate tone adopted by Eastwood work wonderfully well. Cusack and Spacey are excellent, and the air of menace beneath the civility is conveyed with subtlety and charm.

But then the calm of both story and movie is disturbed. Williams shoots his gay lover (Jude Law) in apparent self-defence and has to face a traumatic trial - but how will this strange, unassuming community deal with this dramatic coming out?

Eastwood slightly loses his touch here; in trying to avoid the cliché-ridden courtroom drama, he also allows the film's momentum to drop. And in *The Lady*

Chablis - a quipping, flirtatious transvestite played by him/herself - he has a character that is simply too strong for the delicate balance of the movie: a scene in which (s)he accompanies Kelso to a black graduation ball in particular is too long and too camp for the film's narrative thrust. But much to enjoy nevertheless.

Another side of America entirely is depicted, with rather less celebration, in Harmony Korine's bleak debut feature *Gummo*. Set in the charnel suburb of Xenia, Ohio, a town laid waste by a tornado and seemingly torn from its moorings of normalcy, this rambling pseudo-documentary account of two teenage boys on an unknown rampage of cat-and-granny killing sets out to shock, and succeeds.

There is no little accomplishment in 23-year-old

Korine's control of his startling images; and no shortage of confidence in his treatment of disturbing issues such as drug use, prostitution and mental and physical handicap. Korine's most explicit influences are Diane Arbus and Godard, and if that sounds like hard work, it is.

But *Gummo* repels and compels in equal measure, its infinitesimal touches of tenderness - the casually despatched remarks from both children's single parents that they miss their partners, a desperately encountered between the younger boy and a blind, retarded, overweight girl who has been forced into prostitution - compensating for the occasional moments of contrivance.

Hard Rain has Morgan Freeman and Christian Slater racing round in groovy powerboats as a \$3m

armoured car heist is waylaid by a midwestern river flood. At the risk of stating the obvious, there is simply too much water around for this to work: once we are through the first round of duckings, divings and drownings, there is nowhere left to go but downwards, in every sense.

*Like It Is* is an energetic independent British film which asks us to consider the improbable plight of a northern bare knuckle fighter who sleeps with his Manchester United shorts on (yes, a very masculine fellow) coming to terms with his blossoming gay sexuality in swinging Soho. Roger Delvey is splendidly over the top as a lewd music executive, Dani Behr is a pleasantly shrewish singer-on-the-skids but this works more as a music biz in-joke than the sensitive love story it tries to be.

## Cold hand of fate

THEATRE

SARAH HEMMING

The Iceman Cometh  
Almeida Theatre, London W1

Bars are proliferating across the London stages, but there is surely none as dejected as the one that occupies the Almeida playing space for Howard Davies's towering revival of *The Iceman Cometh*.

In Bob Crowley's design for Eugene O'Neill's 1912 "No Chance Saloon", the very bar itself is sliding downhill - but the fancy light fittings suggest that once, like its occupants, it knew better times.

When we enter the auditorium, the decrepit bunch of alcoholics who call the place home are there before us, slumped over the tables. It looks an unlikely venue for an intellectual tussle about the validity of truth as against what Ibsen called the "life lie", but O'Neill has set the debate amongst those in whom it means most - men who have nothing left but their pipedreams.

O'Neill's journey through the lower depths is not one to be taken lightly: Hickey, a travelling salesman given to regular benders, who will bring with

him money to burn on and with it booze and oblivion. But this time, when Hickey blows in, he brings with him an icy draft. Hickey, played by Hollywood star Kevin Spacey, has reformed and wants to convince his drinking cronies that they should abandon their pipedreams and face the truth about themselves. Who and what exactly is Hickey? His purpose and nature are as mysterious as those of Priestley's famous inspector, and Spacey's performance is wonderfully unsettling.

Dapper, twinkly, pliant, the silver-tongued salesman selling salvation, he breezes in and manages to be both charming and sinister as he glides around the bar, touching the old folks on the shoulder as if fully convinced of his healing power. He preaches self-awareness, which sounds grand; but as his final speech, delivered with hair-raising insouciance, reveals, his own self-discovery was bought at a terrible price.

There are places where Davies's production flags and the plays mysterious power loses out to its unwieldy length and repetitive text, but on the whole this is a skilfully crafted staging that allows the play's icy hand to grip us.

The Almeida Theatre's 87/88 season is sponsored by AT&T.

him money to burn on and with it booze and oblivion.

But this time, when Hickey blows in, he brings with him an icy draft. Hickey, played by Hollywood star Kevin Spacey, has reformed and wants to convince his drinking cronies that they should abandon their pipedreams and face the truth about themselves. Who and what exactly is Hickey? His purpose and nature are as mysterious as those of Priestley's famous inspector, and Spacey's performance is wonderfully unsettling.

Dapper, twinkly, pliant, the silver-tongued salesman selling salvation, he breezes in and manages to be both charming and sinister as he glides around the bar, touching the old folks on the shoulder as if fully convinced of his healing power. He preaches self-awareness, which sounds grand; but as his final speech, delivered with hair-raising insouciance, reveals, his own self-discovery was bought at a terrible price.

There are places where Davies's production flags and the plays mysterious power loses out to its unwieldy length and repetitive text, but on the whole this is a skilfully crafted staging that allows the play's icy hand to grip us.

The Almeida Theatre's 87/88 season is sponsored by AT&T.

INTERNATIONAL

## Arts Guide

AMSTERDAM

**OPERA**  
Netherlands Opera, Het Muziektheater  
Tel: 44-20-551 8911  
Wozzeck: by Berg, Wim Trompert directs a revival of Willy Decker's 1994 production, with designs by Wolfgang Gussmann. With the Netherlands Philharmonic conducted by Hartmut Haenchen; Apr 16, 19, 21

BELFAST

**OPERA**  
Grand Opera House  
Tel: 44-1232-241919  
The National Opera of Latvia: Nabucco, by Verdi; Apr 16

BERLIN

**CONCERT**  
Staatsoper unter den Linden  
Tel: 49-30-2035 4855  
www.staatsoper-berlin.org  
Berlin Philharmonic Orchestra: conducted by Daniel Barenboim in works by Liszt, Schumann and Beethoven; Apr 16

DANCE

Deutsche Oper  
Tel: 49-30-34384-01  
La Sylphide: revival of a production designed by David Walker and directed by Peter Schaufuss, after August Bournonville; Apr 18

OPERA

Deutsche Oper  
Tel: 49-30-34384-01  
Der Prinz von Homburg: by Henze. Conducted by Christian Thielemann in a staging by Götz Friedrich; Apr 16  
Parsifal: by Wagner. New production conducted by Christian Thielemann in a staging by Götz Friedrich; Apr 19

Staatsoper unter den Linden  
Tel: 49-30-2035 4555  
www.staatsoper-berlin.org  
Die Meistersinger von Nürnberg: by Wagner. Harry Kupfer's new production is conducted by Daniel Barenboim and Sebastian Weigle; Apr 19

BIRMINGHAM

**CONCERT**  
Symphony Hall  
Tel: 44-121-212 3333  
Ivo Pogorelich: recital by the pianist of works by Rachmaninov, Granados, Prokofiev, Schumann and Chopin; Apr 23

CHICAGO

**CONCERTS**  
Orchestra Hall  
Tel: 1-312-254-3000  
www.chicago-symphony.org  
Chicago Symphony Orchestra:

conducted by Donald Runnicles in works by Wagner, Haydn, Pärt and Britten. With cello soloist John Sharp; Apr 16, 17, 18, 21  
Chicago Symphony Orchestra: American premiere of Carter's Clarinet Concerto, conducted by Pierre Boulez, with clarinet soloist John Bruce Yeh. The programme is completed by Mahler's Symphony No. 1 in D Major; Apr 23

FLORENCE

**OPERA**  
Maggio Musicale Fiorentino  
Tel: 39-55-211158  
www.maggiomusicalefiorentino.com  
The Lady Macbeth of the Mtsensk District: by Shostakovich. New production by Lev Dodin, conducted by Semyon Bychkov; Teatro Comunale; Apr 21

FRANKFURT

**CONCERT**  
Alte Oper  
Tel: 49-69-134 0400  
Chamber Orchestra of Europe: conducted by Nikolaus Harnoncourt in works by Schubert, Mendelssohn and Schumann. With violin soloist Thomas Zehetmeier; Apr 21

GENEVA

**CONCERT**  
Victoria Hall  
Tel: 41-22-317 0077  
Orchestra de la Tonhalle de Zurich: conducted by David Zinman in works by Bartok and Mahler. With violin soloist Viktoria Mullova;

Apr 22

LONDON

**CONCERTS**  
Barbican Hall  
Tel: 44-171-558 8891  
London Symphony Orchestra: Michael Tilson Thomas conducts works by Mahler, Ives and Bartok; Apr 17

Royal Festival Hall  
Tel: 44-171-960 4242  
Philharmonia Orchestra: conducted by Michael Pletnev in works by Tchaikovsky and Berlioz. With violin soloist Victor Tzafaykov; Apr 16  
London Philharmonic Orchestra: Ben-Hur. Projection of the 1925 film with live performance of Carl Davis's score, conducted by the composer; Apr 18  
English Chamber Orchestra: conducted by Pinchas Zukerman in works by Dvorak and Mozart, with piano soloist Yuko Nakanishi, and by Shuntaro Sato in Bartok's Violin Concerto, with Zukerman as violin soloist; Apr 20

Philharmonia Orchestra: conducted by Michael Pletnev in works by Berlioz and Tchaikovsky. With mezzo-soprano Jean Rigby; Apr 21  
Orchestra of the Age of Enlightenment: conducted by Sir Simon Rattle in works by Mozart, Berlioz and Beethoven. With mezzo-soprano Ann Murray; Apr 22

MILAN

**OPERA**  
Teatro alla Scala

Tel: 39-2-38791

www.lascala.milano.it  
Linda di Chamounix: by Donizetti. Co-production with Vienna Staatsoper conducted by Roberto Abbado in a staging by August Everding; Apr 17, 18

MUNICH

**CONCERTS**  
Philharmonie Gasteig  
Tel: 49-89-5481 8181  
Munich Philharmonic Orchestra: conducted by Günter Wand in works by Schubert and Bruckner; Apr 19, 20, 21  
Vienna Philharmonic Orchestra: conducted by Vladimir Fedoseyev in works by Schubert, Haydn and Tchaikovsky; Apr 22  
Klassische Philharmonie Bonn: conducted by Herbert Beisel in works by Rossini, Chopin and Beethoven; Apr 23

OPERA

Carl-Orff-Saal, Gasteig  
Tel: 49-89-4609 8508  
Vision of Lear: by Toshio Hosokawa, with a libretto by Suzuki and Hosokawa. Co-production of the Munich Biennale with the Shizuoka Performing Arts Centre; Apr 18, 20, 22

NEW YORK

**OPERA**  
New York City Opera, New York  
Elate Theater  
Tel: 1-212-670 5570  
www.nycopera.com  
Paul Bunyan: by Britten. New production directed by Mark Lamos and conducted by Stewart

Robertson; Apr 18, 22

PARIS

**CONCERT**  
Salle Pleyel  
Tel: 33-1-4581 6559  
Orchestre de Paris: conducted by Frans Brüggen in works by Haydn and Mozart. With cellist Truls Mork; Apr 22, 23

SAN FRANCISCO

**CONCERTS**  
Davies Symphony Hall  
Tel: 1-415-864 6000  
www.sfsymphony.org  
San Francisco Symphony Orchestra: conducted by Alasdair Neale in works by Haydn, Mendelssohn, Elgar and Schumann, with piano soloist Hélène Grimaud; Apr 18, 17, 18  
Alfred Brendel: recital by the pianist of works by Mozart, Schubert and Haydn; Apr 19  
Isaac Stern: recital by the violinist, with pianist Robert McDonald; Apr 21

San Francisco Symphony Orchestra: conducted by Hugo Wolf in works by Debussy, Mozart and Schumann. With piano soloist Alois de Laroche; Apr 22, 23

STOCKHOLM

**EXHIBITIONS**  
Moderna Museet  
Tel: 46-8-5195 3200  
www.modernamuseet.se  
"No one's dogs": 100 Years of Swedish Art. 100 works, specially selected to trace the history of modern art in Sweden; ends on Sunday

Wounds: Between Democracy and Redemption in Contemporary Art. The inaugural exhibition in the museum's new building examines developments in the visual arts from the 1980s to the present; ends on Sunday

TOKYO

**CONCERT**  
Bunkamura  
Tel: 81-3-3477 9899  
Tokyo Philharmonic Orchestra: conducted by Hiroyuki Nawa in works by Ichiyanagi, Szymonowski and Tchaikovsky. With violin soloist Natsuko Yoshimoto; Orchard Hall; Apr 17

TV AND RADIO

**WORLD SERVICE**  
BBC World Service radio for Europe can be received in western Europe on medium wave 948 kHz (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

**GNM International**  
Monday to Friday, GMT: 06.30: Moneyline with Lou Dobbs 18.30: Business Asia 19.30: World Business Today 22.00: World Business Today Update

**Business/Market Reports:** 05.07; 06.07; 07.07; 08.20; 09.20; 10.20; 11.20; 11.32; 12.20; 13.20; 14.20.

At 08.20 Tanya Beckett of FTV reports live from LIFFE as the London market opens.

## COMMENT &amp; ANALYSIS

SAMUEL BRITTAN  
ECONOMIC VIEWPOINT

## A parallel pound

The use of the euro alongside sterling could help reconcile the needs of the domestic economy with those of exporters

Generals are not the only ones who fight the last war: members of the economic establishment often try to avoid the mistakes of the last business cycle, only to repeat those of the cycle before.

Many British economists are so determined to avoid what they regard (usually with hindsight) as the mistakes of the late 1980s – when interest rates were kept down too long so that sterling could shadow the D-Mark – that they seem determined to repeat instead the errors of the early 1980s. Then, the preoccupation with domestic monetary discipline led to an overvalued sterling and a severe recession. Initially in manufacturing, but finally in the whole economy.

The decision of the Bank of England Monetary Policy Committee last week to keep interest rates on hold is a merciful relief. But it will not resolve the conflict between the needs of the domestic economy and the sectors exposed to overseas trade.

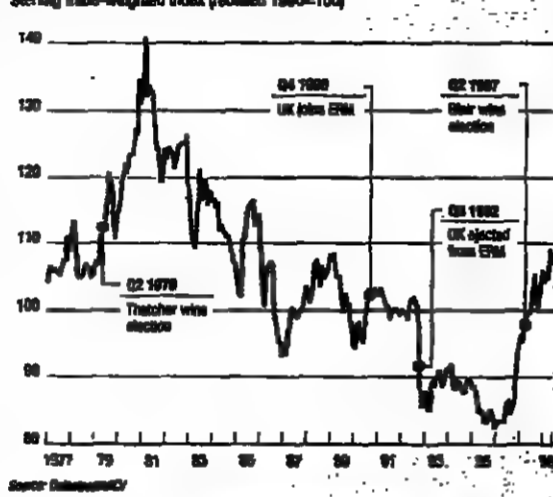
Gavin Davies of Goldman Sachs has been trying to act as chief whip to the MPC by proclaiming that its duty is only to keep down the forecast for one particular measure of inflation two years ahead. He puts quite excessive emphasis on a variation in the small print of the 1998 Budget Red Book which omits earlier references to "supporting the government's economic policy" without prejudice to the inflation goal.

Yet this wider objective remains part of the Bank's remit. It is curious that an economist who supports the government should reproach the MPC for being too concerned to support that government's growth and

employment goals. More important: the MPC consists of people, not automatons.

National currency managers have no option but to engage in an uneasy compromise between domestic objectives and exchange rate stability. The more they insist on the primacy of one, the more sure we can be that events will force them into a U-turn, all the more shattering for being delayed. Even in the days of Bretton Woods, Germany had at times to revalue the D-Mark or let it float upwards to contain domestic inflation. Governments that have tried to ignore the exchange rate have also had to eat their words. After years of "benign neglect", the Reagan administration initiated in 1985 an international attempt to reduce the value of the dollar. Even the Thatcher government started to redefine monetary policy in the early 1980s when the strength of sterling became too much of a good thing and unemployment started to shoot upwards.

The ups and downs of the pound  
Sterling trade-weighted index (base 100) 1970-1997



Membership of Ecu would of course end the pound's violent swings by getting rid of sterling as a separate currency – some 90 per cent of UK gross domestic product would then be traded within the euro zone. But the problem of currency fluctuation would be replaced by a different one: an interest rate designed to meet average conditions in more than 11 countries – but in practice heavily influenced by the needs of Germany and France. Ireland, which is experiencing an even greater boom and which expects to join Ecu at the outset, should provide a trial run.

Meanwhile, several UK-based international companies have said they intend to present their accounts in euros as well as sterling. They may also in time invoice exports in euros. These actions remind us that Latin American countries have long used the dollar as a parallel currency for external and large

domestic transactions while retaining domestic currencies for other internal business. A similar dual system applies in Russia and other former Communist countries. Dual currency systems already exist in border areas of Europe. Austrian old lira will often post up prices in D-Marks as well as shillings.

Simply using the euro as an alternative unit of account will not be enough. If wages are paid in sterling, and domestic components and services are also priced in domestic currency, profit margins will still come under heavy pressure when the pound rises. Companies will still have to lay off workers whom it no longer pays to employ.

To relieve the problem, a dual currency system will have to go further. Workers who want security of employment will have to accept the option of being paid in euros, and the same option will have to be offered to suppliers of intermediate products.

The competing currency approach has quite a long, if chequered, history in British policy. It was first proposed by Nigel Lawson as an alternative to a single European currency. This was after Lady Thatcher had taken her ministers and officials by surprise at the 1986 Madrid summit by offering to prepare an alternative route to monetary union. Sir Peter Middleton, then Treasury permanent secretary, was so astonished to hear the news on the radio that he nearly drove his car into a tree.

A second version of the plan, known as the "hard Ecu", was put forward by John Major when he was chancellor. It was a scheme to transform the Ecu from a simple basket of currencies into a real currency that could be held by European nationals if they so chose. It also imposed complicated convertibility obligations on national authorities.

Both plans fell on stony ground because they were offered as alternatives to the single currency that the main EU players had already decided to adopt. Lord Lawson had got the idea of competitive currencies from the free-market economist Friedrich Hayek. He had

arrived at currency competition out of despair that governments would adopt sound money policies without the threat of their own currencies being abandoned. Treasury officials strove to shift the emphasis from competition between actual currencies to competition between monetary policies.

Conditions have now revived for currency competition in the earlier Lawson form. The fact that it does not require a new international institution or treaty, which was seen as a disadvantage compared with the hard Ecu, is now an advantage. Moreover, the idea can now be simplified. Instead of competition between an indeterminate number of currencies, the choice is likely to be between pounds and euros.

There is still work to be done. The original British plan did not go into detail on matters such as legal tender. Moreover, if the euro is to stand a chance of competing against sterling in domestic transactions, it will be important to allow taxes to be paid in it. Some spin doctors suggest that Gordon Brown is trying with just such a reform.

The merit of currency competition is that it can be market led. The difficulty will be to persuade workers and suppliers to agree to be paid in euros, the sterling value of which will fluctuate. This is but a special case of what I call Brittan's Law. This says that it is possible for workers to have security of employment, or security of pay, but not both. The more you have of one the less you have of the other.

This principle has wide implications outside the present UK monetary debate. It supplies the clue to what workers and managers can do to reduce the job insecurity which some observers see arising from globalisation and new technology. That, however, is clearly a subject for a future column.

\*See Nigel Lawson's *The View from Number 11* (pp. 938-44), and Philip Stephens's *Politics and the Pound* (pp. 160-165).

Samuel Brittan@FT.com

## LETTERS TO THE EDITOR

## Totally out of focus on the role of the US as sole superpower

From Mr Frank Peel

Sir, In "When life is at stake" (April 11-12), you take some good pictures of one of the many trees which make up US foreign policy, but you lose all focus when you try to take in the whole forest. US foreign policy is a joint venture between the executive branch and the Congress. And all the policies are local, so Congress has much more than the "one issue" you say it has on local issues. This is no less true in the UK than in any democratic country. The legislators should always listen to the people who elect him or her.

But when you conclude by asking whether the world is ready for a sole superpower whose obsession (you say) is the politics of reproduction, you're totally out of focus. You started out by talking about the politics of reproduction in the limited area

of foreign aid, and I guess you got carried away so that you end up expanding the politics of reproduction to the politics of everything, or at least to all foreign policy. But as far as I know the politics of reproduction played no part in the key US role in reaching the Ustia agreement which you make your lead front-page headline ("Peace deal for N Ireland after last-minute appeal by Clinton", April 11-12). And the politics of reproduction plays no role in the key US role in the Middle East. Or in the key US role in pushing Japan to save its economy and maybe the rest of us from recession. Or in the key US role in preventing war in Cyprus. Or in the key US role in preventing war in Kosovo. And so on.

You ask is the world ready for this sole superpower. That's a strange way to frame the question because this sole superpower would be happy to have others share the task, but the others seem chiefly to whine (with your article) either that the US is doing too much or that it is doing too little.

Where, for example, is Europe when it comes to dealing with Cyprus, or Ustia, or Kosovo, which are all in Europe. If, that is, "Europe" really exists as anything other than a geographical designation and a vast pork barrel of expensive and distorting subsidies.

Frank Peel, member of the New York Bar, 37 Avenue du Bassé, 1202 Geneva, Switzerland

## No justification for bullying attitude

From Mr Andrew Anderson

Russia's bullying attitude to Latvia "Moscow hints at Latvia sanctions", April 9) is very worrying, recalling the sinister tactics used throughout this century by aggressive, undemocratic leading powers against small and vulnerable neighbours.

There is no legitimate grievance which could justify any form of economic warfare against Latvia. The excuse of the recent demonstration in Riga is spurious; on that occasion the police behaved with commendable restraint, and the demonstrators were in any case by no means all Russians. No doubt Latvian pensioners would like higher incomes, but there is no discrimination against minorities, even those who are the wives and widows of former KGB officials, and many of those in work have salaries much lower than the retired.

I hope that the EU, International Monetary Fund, World Bank and others will take note of this deplorable behaviour by a country which always claims to be acting from the highest motives, and make it clear that it must conform to civilised standards.

Andrew Anderson, Granton Lodge, 179 Granton Road, Edinburgh EH5 3BQ, UK

## More pressure means fewer available recruits

From Professor Andrew J. Oswald

Sir, In arguing for external policy assessment of academics and teachers John Kay does not make the key point ("Shame game pays off", April 15): if you put employees under more and more pressure, then you

have to pay them more. Otherwise you cannot recruit. We have a manifestation of this difficulty in British academic economics. I have been collecting data on the top 10 departments in the UK. The figures show that the flow of new British students into PhD courses is

close to zero. For good or ill, our children will not be taught by Britons.

Andrew J. Oswald, professor and PhD admissions tutor, economics department, University of Warwick, Coventry CV4 7AL, UK

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171 873 5938 (ext. 10) or e-mailed to letters@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translations may be available for letters written in the main international languages. Fax 0171 873 6938. Letters should be typed and not hand written.

## PERSONAL VIEW DOMINIQUE STRAUSS-KAHN

## Six of the best

The Asia crisis has made the 'new international architecture' all the rage in discussing the world's financial system. Here is a blueprint for reform

Robert Rubin, my colleague at the US Treasury, and Michel Camdessus, my compatriot at the International Monetary Fund, have both emphasised the need to review the existing international architecture. Making substantial adaptations for new financial circumstances is on the agenda of the IMF's current meeting. It deserves thorough discussion.

In February, I made a first contribution to this debate in a letter to G7 colleagues. Building on it, and on subsequent contributions, I would now like to put forward ideas grouped around six main themes.

1. Making capital markets work better. Economists have long known that markets do not work well when information is scarce or biased. In all industrialised economies, governments produce data that have the character of a public good and help private individuals make decisions. But financial information on, for example, the external liabilities of the private sector and the off-balance sheet commitments of central banks remains insufficient, and even misleading. This contributes to market volatility. Information will not keep up with the progress of globalisation if public institutions adopt a hands-off policy. Three types of measures should be considered:

- If a country wants to borrow from international capital markets, it should be required to fulfil data dissemination standards. The IMF should monitor their implementation.
- International institutions should enhance the collection and provision of comprehensive financial data.
- Institutions involved in financial transactions (not only banks) generally maintain sophisticated systems to measure risk exposure. We should find ways to aggregate this information and make corresponding statistics public.

2. Making global finance more resilient. The rationale for capital account liberalisation is threefold: to contribute to a better allocation of

world savings; to facilitate the absorption of temporary shocks; and to enhance the quality of investment. Lately, the record on these three accounts has been mixed. Persistent current account deficits have generally led to currency crises. Capital inflows exceeding a country's absorption capability have frequently jeopardised macroeconomic stability. And while direct investment has undoubtedly been beneficial, short-term capital inflows have too frequently given rise to asset price bubbles or unwise capital accumulation.

I believe efforts should concentrate on:

- Improving the quality of supervision of the financial sectors, on both the lenders' and the borrowers' side. Banking supervision has

made progress, but must keep up with the growing sophistication of private finance, through refining credit risk indicators and through extending supervision to non-banks.

3. Building a consensus on how far countries with fixed or quasi-fixed exchange rates can limit short-term capital inflows through regulatory and tax provisions;

4. Addressing the problems raised by offshore financial centres, which often represent obstacles to financial supervision (and, incidentally, to the fight against money laundering).

5. Strengthening the policy framework. Whatever the responsibilities of markets in the Asian crisis, no one can seriously dispute that a lack of policy transparency and mistaken policy reactions have contributed to the turmoil.

The difficulty here has long been known. Some Asian countries are adamant that rules for governance are part of national sovereignty.

No one would dispute the fact that different societies may make different social choices. But we can maintain a balance between preserving national sovereignty and enforcing rules of conduct essential to a proper integration into the world economy. We can help by:

- Fostering policy transparency everywhere. That does not imply uniformity; but, for example, setting medium-term policy targets public would help stabilise market expectations;

- Making multilateral surveillance more effective. The IMF should develop a graduated response strategy: it should be able to make early recommendations, and to make them public if governments do not respond. Whenever possible, there is a case for implementing this surveillance on a regional basis, in association with the IMF;

- Encouraging the adoption of exchange rate policies which do not prompt private agents to disregard currency risk and embark on reckless unbridged foreign borrowing;

- Not limiting policy assistance to the traditional micro- and macroeconomic compacts, but recognising that social policies (for example, providing unemployment insurance, or designing efficient health-care systems) can be fostered efficiency-equity – and thereby stability.

6. Assisting countries in crisis. In the Mexican and South Korean crises, emergency liquidity was provided to countries that were not insolvent. In that respect, the IMF and the G7 governments acted as international lenders of last resort.

Drawing on this analogy, some scholars have argued that assistance should be made unconditional or that conditions should be softened. I do not agree. Rather, this would risk making financial assistance less effective, and would not encourage prudent policies. There is, however, a case for the speedy mobilisation of liquidity when crises threaten (this is the purpose of the New Arrangements to Borrow decided after the Mexican crisis) and for tail-

oring IMF conditionality exactly to what is needed to restore financial stability.

5. Limiting moral hazard. This does not affect recipient countries so much: governments can be short-sighted, but the cost of a currency crisis (especially with an IMF programme) is so large that I doubt that governments run risky policies because they expect a bailout. No, the risk is more significant on the lender's side.

The obvious solution is to involve foreign private lenders and investors in working out the crisis. This was done in the Latin American debt crisis of the 1980s, and again in the Korean case. Similar patterns should be followed in future. It will require surmounting legal and technical hurdles, but it will in the end serve lenders' interest.

6. Upholding official assistance. Aid is sometimes considered a thing of the past. Asia's crisis leads one to question that view. Even for countries with access to international capital markets, there is room for official aid as private capital inflows may not go towards education, health, infrastructure, or the development of the information systems everybody calls for. Public flows can also substitute for private capital when a country is cut off from external finance. Aid should go first to countries committed to reform. France, the most generous donor among G7 countries, will continue to provide significant resources to the poorest. Others should do the same.

These proposals build on existing practice. Possibly, one might prefer a bolder approach that would attempt to create a brand new international regime. Following this temptation would not lead us far. On the contrary, we now have the resolve to make big improvements to the international financial architecture. The only condition I would add is that we should implement our reforms effectively. Not an insignificant condition.

The author is France's economy, finance and industry minister.



It was as much as he could do to stow away his overcoat and bag and give our flight attendant, Gina, a drowsy smile before he fell fast asleep. When he left us in New York, we hadn't the heart to tell him he'd missed out on champagne, plump Breese chicken in a Burgundy sauce, not to mention our world-beating ice cream.

For information and booking:  
[www.swissair.com](http://www.swissair.com)  
or call your local travel agent.

swissair +

Selling 11 peace

Selective reading  
The "No" campaign...  
The author is France's economy, finance and industry minister.

Thursday April 16 1998

**regulatory and supervisory systems".**

This has a powerful implication: the more interconnected are the world's financial systems, the less independent regulatory authorities can hope to remain. Mr Rubin suggests that authorities in the big financial centres could condition access to their own markets on strong home-country supervision. This could have meant the exclusion of Korean banks from New York or London prior to the December of last year. The idea is perfectly logical – and potentially explosive.

Serious controversy starts, however, with attempts to strengthen national financial systems. It has become evident that weak domestic regulation imposes large costs on other countries, through contagion or the high cost of bail-outs. In response, Mr. Rubin calls for a "new international system of international standards of international financial surveillance" that heightens "international surveillance of countries' financial, banking, and monetary systems." Such questions "The need for greater transparency has become obvious, as is the case for circumscribing national sovereignty over financial regulation. The biggest issue, however, is how to balance the lender-of-last resort function against the need to ensure private sector responsibility for mistakes. To this Mr. Rubin has not provided the solution, perhaps because there is none.

The "No" campaign plays on traditional unionist fears, using a selective reading of the agreement to construct a worst-case scenario, in which Gerry Adams, the Sinn Féin leader, becomes Deputy First Minister (his party overtaking the moderate SDLP in the assembly elections), while the island by violence, and so gives the unionist community in the north far greater long-term security than it has hitherto enjoyed. It is republicans, not unionists, who should have difficulty accepting this historic change. Both Mr Trimble and Mr Adams understand that.

The only trouble is those

Early signs favour the anti-tobacco forces. The industry

Cronin, who has a soft spot for

Vauxhall Motors, was setting the pace for GM yesterday when he offered to forgo his \$270,000 salary to set an example of wage restraint.

restructuring, French defence companies Dassault and Thomson-CSF suspended trading in their shares on Tuesday morning "pending an announcement" -

challenged the validity of the Commonwealth Government's legislation to nationalise banking in Australia. The hearing, which has lasted 39 days - the first 36

## THE LEX COLUMN

### Italian appetiser

Another shifting of the tectonic plates in the global telecommunications industry. But does this \$2bn asset exchange between Cable and Wireless and Telecom Italia have all the answers? No, but it is not a bad start.

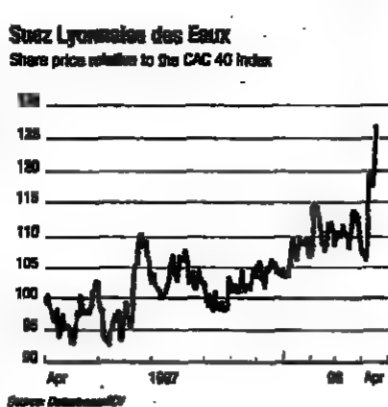
While the two together will be the world's second largest carrier of international traffic, they will still lack a strong presence in the important US market. Unsurprisingly, therefore, this is described as just the first part of a global partnership, to which the implicit sequel is a transatlantic alliance.

As it is, this link-up should enhance both companies' appeal to potential US partners, such as AT&T or a Baby Bell. To C&W's unique asset base in Hong Kong, the UK and Australia has been added Telecom Italia's strength in Italy, France and Spain. C&W may seem to have sold its 20 per cent stake in Bouygues Telecom slightly cheaply, given rising cellular valuations across Europe. But this has probably been more than offset by the generous-looking value attributed to minority stakes in its own US and Caribbean units. This is still a fairly tentative arrangement which could be unwound or subsumed if better opportunities arose: equity stakes in the holding companies have not been exchanged. It will be disappointing if this is all C&W can offer in the medium term.

#### Suez Lyonnaise des Eaux

The pace of change since Suez and Lyonnaise des Eaux merged last year has done much to dispel doubts about the wisdom of bundling two conglomerates together. Gérard Mestrallet, chief executive, has pursued the strategy of refocusing on utilities with welcome urgency. While FF25bn has been spent on water, energy and waste acquisitions over the past 18 months, this has been more than covered by non-core disposals, including this week's FF9.1bn disposal of Sofiboo, the consumer credit business. With all profit lines rising more sharply than sales and capital employed, the new is clearly outshining the old.

That said, Suez Lyonnaise needs to beat its target of raising net income from FF1bn last year - still a low return on sales - to FF1.7bn in 2002. Its fancy stock market rating of 19 times 2002 earnings



surely demands a better average annual increase than 12 per cent. There is great scope to push up profit margins, although the politically correct downplaying of cost-cutting is no help.

Fortunately, considerable mileage remains in improving the business portfolio, not least in Belgium. Buying out minorities in Société Générale de Belgique will not only strengthen Suez Lyonnaise's grip on Tractebel, the prize utility, but also allows it to consolidate more profit. In financial services, a merger of Fortis and Générale de Banque would enhance the value of these disposable investments, providing long-term fuel for further transformation.

#### American Airlines

Bob Crandall, American Airlines' 62-year-old chairman, may be swapping aircraft for boats - apparently he is retiring early to spend more time with his new yacht. But the rest of the western world is flying more than ever. First-quarter earnings from AA jumped 90 per cent, beating analysts' forecasts by 30 per cent. A sharp drop in fuel costs was a big help. But the fact that revenues are still rising at more than 5 per cent after seven years of economic growth shows how much smarter the airlines have become at matching supply and demand.

Judging by AA's results, the industry as a whole will stand out against a backdrop of slowing profits growth. And while interest rates stay low, earnings upgrades will continue. The sector should beat 15

per cent for 1998, twice the stock market average. Despite that and record-breaking share performances over the past year - AMR, AA's parent company, hit another high yesterday - most airlines are still trading at a 50 per cent discount to the stock market average, which looks decidedly mean.

And further good news could be in store. The long-delayed AA/British Airways alliance is inching towards regulatory approval and could get clearance on both sides of the Atlantic by the summer. Such international networks, with their huge economies of scale, could transform the industry's economics for good.

#### Lloyds TSB

UK bank investors have fastened on to a new wheeze. In the absence of local mergers to boost share prices, just borrow the benefits from elsewhere. Hence the curious phenomenon of UK bank shares rallying more in recent days than those of the six companies involved in the three US bank deals. Even more startling is the specific case of Lloyds TSB, now trading at over nine times its 133p book value per share.

Can this possibly be justified? Bear in mind that the price/book ratio is a function of the return on equity achieved, compared with the cost of equity and the growth rate of the business. Assuming a perpetuity growth rate of 6 per cent, and using Lloyds' 10 per cent cost of equity, it follows that a price/book ratio of nine assumes Lloyds sustaining a 42 per cent return on equity. In fact, the bank did report after-tax ROE of 41 per cent in 1997. Smooth that for accounting distortions, though, and the underlying return on economic capital is closer to 24 per cent.

But even if you were to grant Lloyds the higher figure, is it sustainable? It seems most unlikely. Its shareholder value credentials may be unimpeachable, the economic cycle may be more benign, but not even Sir Brian Phipps, chairman, can escape the effects of economic slowdown and increasing competition in its core mortgages market. Valuation, of course, has proved a poor guide to bank stock performance over the past 18 months. Momentum has been the name of the game. But, however you slice it, Lloyds TSB is overpriced.

## New setback hits Brazil power company sell-offs

By Geoff Dyer and Jonathan Wheatley in São Paulo

Brazil's huge privatisation programme suffered a serious setback yesterday when the São Paulo state government failed to attract a buyer for Bandeirantes, one of two large electricity distribution companies put up for auction.

In the other auction, only one consortium bid for Metropolitana, the largest distribution company in Latin America, which was sold for the minimum price of R\$2.08bn (R1.78bn).

The bidder was Light, the Rio de Janeiro electricity company, which is controlled by AES and Houston Energy of the US, Electricité de France and CSN, the Brazilian steel company.

The outcome is a heavy blow for Brazil, which plans to sell the bulk of its electricity distribution and generation businesses to the private sector over the next two years. The sales had been expected to raise about \$45bn.

Bankers said the lack of interest in

the São Paulo companies could mean that demand from foreign investors for Brazilian distribution companies was becoming saturated and that bidders could not get sufficient credit for large acquisitions in Brazil. Most analysts had predicted that both companies would be successfully sold at premiums of 20-30 per cent above the minimum price. Some had said the minimum prices were too high.

Metropolitana and Bandeirantes, which had a minimum price of R\$1.01bn, were the two main subsidiaries of Eletropaulo, the energy group controlled by the state of São Paulo.

The auction to sell EPTB, Eletropaulo's transmission business, was cancelled on Tuesday night as there were no bidders. The São Paulo government is also planning to sell CESP, its energy generation company, this year.

Andre Montoro Filho, São Paulo planning secretary, said he was surprised by the outcome and blamed a lack of credit. The government has yet to decide what it will do with

Bandeirantes or EPTB. Two groups, Euron of the US and VBC of Brazil, had presented financial guarantees on Tuesday to take part in the auction but failed to bid.

Bankers said VBC had been concerned about the deficit in the Eletropaulo employee pension fund.

"It was a cold bath for everyone," Isabel Bresser Pereira of Fator, a São Paulo brokerage, said. The failure to sell Bandeirantes would hold back efficiency gains at the company and was bad news for other electricity utilities due to be privatised.

Gustavo Getzner, of Icatu, a Rio de Janeiro investment bank, said sellers would be more cautious about setting minimum prices in future.

"It was sad that it didn't happen; it will affect the way people abroad look at Brazil," Luiz David Travesso, a director of Light, said the company would not try to buy other electricity distribution companies because it was close to the 20 per cent market limit established by the new industry regulator. Light was interested in expanding in electricity generation, he said.

## Bank of England's minutes hint at higher interest rates

By Richard Adams in London

The prospect of a further increase in UK interest rates appeared stronger yesterday after publication of the minutes from last month's meeting of the Bank of England's monetary policy committee.

The minutes revealed that sharp divisions persisted among the eight members of the MPC over the course of the economy, but that "the gap between the differing points of view had probably narrowed slightly since the February meeting" in favour of higher interest rates.

There was no hint rates had peaked or would be reduced soon. "The most recent data did not offer much support for an immediate slowdown in consumption," the committee agreed. The economy was slowing, but "the pace and the extent of the slowdown remained highly uncertain".

The pound rallied against the D-Mark, above DM3.04, after the minutes were published, while interest rate future contracts fell back as the

financial markets interpreted the comments as increasing the chances of future rate increases.

Eddie George, the Bank's governor and MPC chairman, was again forced to use his casting vote to keep interest rates unchanged, after the committee was evenly split as it had been in February.

Half of the committee, including Mervyn King, the Bank's chief economist, argued against the governor's position, saying that rapid economic growth in the UK required an immediate rate rise. But Mr George and others said growth "could not be observed with sufficient precision" to justify an increase.

Richard Jeffrey, chief economist at Charterhouse Bank, said yesterday: "People anticipating a cut in rates before the end of the year should read these minutes. Their expectations will be very disappointed."

But other analysts said more recent economic data, especially for the labour market and wages, justified Mr George's decision. The latest underlying average earnings data

revised down growth to 4.5 per cent in January and February. A new forecast published today by Coopers & Lybrand warns the risks of a sharp slowdown next year have "increased markedly".

The depth in the split between the wings of the committee extended to the Bank's inflation forecasts. The MPC even discussed allowing each camp to publish its own forecast in the quarterly Inflation Report.

"There might be circumstances where the differences among committee members about the nature and the magnitude of the risks were more significant. In such circumstances, it would be necessary to publish fan charts corresponding to more than one forecast," the minutes said.

The Bank was given control of interest rates by the government last May, and has raised them four times. The last rise, in November, took the Bank's short-term operational rate to 7.25 per cent.

Samuel Brittan, Page 12

## CONTENTS

### News

European News	23
US and Canada News	8
Asia-Pacific News	6
Latin American News	5
International News	4
World Trade News	7
UK News	9

### Features

Editorial	13
Letters	12
Management/Technology	10
Research	13
Art	11
Asia Guide	11
Analysis	12, 13

### Companies & Finance

Cranford Profile	26
Weather	14
Companies & Finance	
European Company News	16
Asia-Pacific Company News	20
American Company News	17, 18
International Capital Markets	22

### Markets

Bonds	22
Bond futures and options	22
Short term interest rates	22
US interest rates	22
Currencies	23
Money markets	23
FT/SE-A World Indices	31
World stock markets reports	34
World stock market listings	34
London share prices	28, 29
FTSE Actuaries UK share indices	30
Recent issues, UK	30
Dividends announced, UK	21
Managed funds service	25-27
Commodities	24
FTSE Gold Mines Index	30

### Survey

World Energy Review... Separate section

FT.com  
FINANCIAL TIMES

Directory of online services  
via FT Electronic Publishing

FT.com: the Financial Times web site  
online news, comment and analysis.  
http://www.ft.com  
The Archives: online archive of back issues  
of the newspaper since July 1995.  
http://www.archive.ft.com  
Newspaper subscription: information,  
offers and online ordering.  
http://www.ft.com/newspaper/subscribe.htm  
FT Analyst Reports Service: online ordering  
of annual or interim reports and  
accounts of 1200 UK plus  
http://www.ft.com/newspaper/222a.htm  
Cityline: how to get share prices and market  
reports by telephone and fax.  
http://www.ft.com/newspaper/2176.htm  
Surveys: details of forthcoming editorial  
surveys.  
http://www.ft.com/newspaper/2268.htm

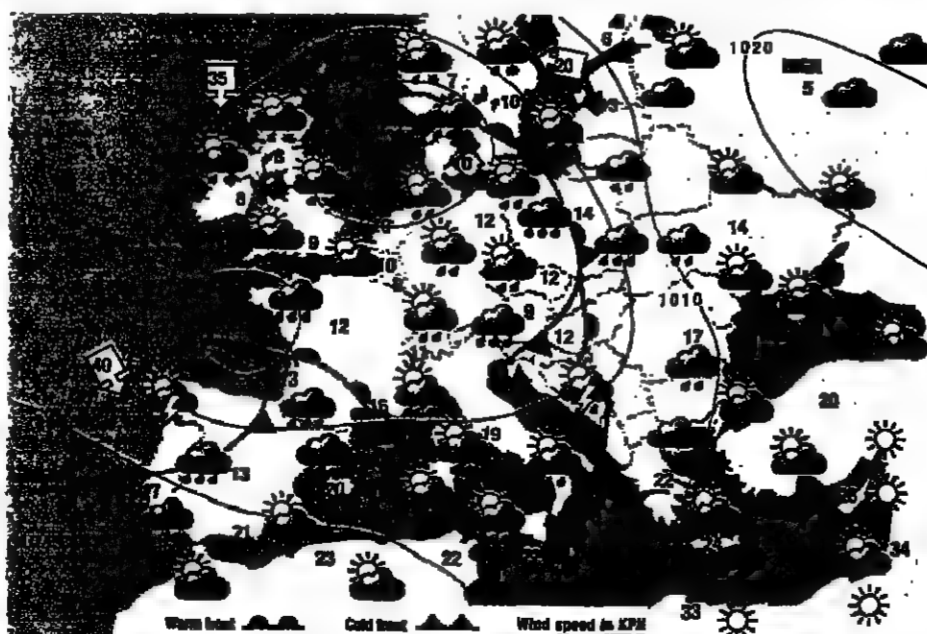
## FT WEATHER GUIDE

### Europe today

A deepening low pressure system will bring wet and windy weather to France, Portugal and northern Spain. Some of the rain will be thundery in places. Eastern Europe and the Balkans will also be wet, but western Russia will be dry with sunny intervals. Meanwhile, the Low Countries, Germany and much of central Europe will be cool and showery. The Nordic and Baltic countries will have rain in the south, but the north will be mostly dry and chilly with sunny spells and a few isolated wintry showers. The eastern Mediterranean will remain very warm.

### Five-day forecast

Low pressure will dominate Europe for the next few days. There will be showers or longer spells of rain, and the central Mediterranean will be rather windy for a time. The eastern Mediterranean will become showery, but fine weather will return by Monday.



Situation at midday. Temperatures maximum for day. Forecasts by FT WEATHERCENTRE

### TODAY'S TEMPERATURES

Madrid	19
Barcelona	19
London	12
Paris	12
Rome	12
Athens	12
Amsterdam	10
Brussels	10
Berlin	10
Stockholm	10
Oslo	10
Reykjavik	10
Warsaw	10
Prague	10
Vienna	10
Zurich	10

Our service starts long before take-off.

Lufthansa

This announcement appears as a matter of record only.  
Approved by Deutsche Bank AG London, regulated by SFA  
for the conduct of investment business in the UK.

April 1998

RICHEMONT

Compagnie Financière  
Richemont AG

£1,036,000,000

minority buy-out of

VENDÔME  
LUXURY GROUP

Deutsche Bank

acted as Financial Adviser and arranged and underwrote  
the financing of this transaction in full including a  
Sfr 1,300 million syndicated, multicurrency facility

Deutsche Bank



WORKING  
DOWN SECRET LIVERY  
INTELLIGENT COMPANY.  
Telford.

...to add

...by ECONOM

...at risk of

...top out

...tech

...ON

...THIS

CROSSWORD, Page 24

MARKET

brother  
PRINTERS  
FAX MACHINES  
hits Brazil  
ny sell-offs

YOUNG WORKING  
TOWN SEEKS LIVELY  
INTELLIGENT COMPANY.  
Telford.

# FINANCIAL TIMES COMPANIES & MARKETS

BOWENS  
INTERNATIONAL  
A WORLD LEADER IN PHOTOGRAPHIC  
LIGHTING  
WOLSELEY  
The name behind  
the name.

THURSDAY APRIL 16 1998  
Week 18

## Schwab margins fall after internet move

Speculation intensifies over prospects across US securities industry

**By John Andrews in New York**

An aggressive move into share trading on the internet has squeezed profit margins at Charles Schwab, the US's largest discount stockbroker, which yesterday reported first-quarter profits well below Wall Street expectations.

Schwab's profits rose only 2 per cent - from \$68.7m to \$69.5m - against the same period of 1997. In spite of record volumes of business, the group's return on equity slipped from 30 per cent to 28 per cent.

Schwab's share price fell 5 per cent in morning trading, down \$2 at \$37.4, with the news intensifying speculation about the prospect of tighter profit margins across the US securities industry.

Several analysts said investors had over-reached, but the shares of several smaller discount brokerages, such as Ameritrade, also fell sharply.

Charles Schwab, chairman, said the company's fundamentals remained strong, but added: "While our daily average revenue trades for the quarter were 25 per cent higher than a year ago, commission revenues grew by just 8 per cent due to a rapid increase in lower-priced internet trading activity."

Operating expenses were also up 16 per cent. He said the company was working in an "intensely competitive environment" and would "continue to invest aggressively in technology, along with new customer services and our brand."

Schwab adopted a flat rate charge of \$29.95 for every internet trade this year to compete with other online providers and to steer its customers towards the web. The proportion of trades executed online rose from 33 per cent a year ago to 48 per cent in the first quarter.

Bruce Brewington, a fund management analyst at Putnam, Lovell and Thornton, the San Francisco brokerage, said Schwab's advertising expenses were higher than expected.

"It's reinvesting in the business. It's trying to build the brand, especially in the light of competition from companies like Ameritrade, E\*Trade, DLJ Direct and Fidelity."

Mr Brewington said yesterday's dip in Schwab's share price was a "buying opportunity", arguing that its strategy was to compete on service rather than price. "What it is trying to do is pack a fully bundled service around its electronic trading at a good value price."

The change in Nasdaq trading rules, phased in last year, also contributed to the fall in transaction revenues.

Schwab is still the largest broker serving small investors for mutual funds and share transactions. Customer assets have increased by 53 per cent year-on-year and reached \$406.7bn last month. The daily average volume of shares traded rose by 28 per cent over the year to 1.38bn, while its number of customer accounts increased from 1.2m to 5m.



South Korean union members at troubled Kia Motors count votes yesterday in the ballot that overwhelmingly supported strike action.

## GEC-Alsthom parents to draw special dividend

By Roger Taylor in London

General Electric Company of the UK and Alcatel-Alsthom of France are planning to draw a special dividend of about £1.2bn (\$1.5bn) from their joint venture GEC-Alsthom before floating the company later this year.

This emerged yesterday as the heavy engineering company began the process of marketing itself with a presentation to analysts in London which laid out its planned future structure. The business, valued at around \$4bn (\$6.7bn), is expected to be the largest public share offer in Europe this year when it floats in London, Paris and New York in June. The French-based company stressed its international nature, saying that every time it had made a mistake it had been the result of parochialism. Alsthom, as it will be called, plans to have more non-French directors on the board than any other large French company.

In addition to five executives there will be three independent non-executives, yet to be named, who will reflect the international nature of the business.

The executives will be Pierre Bilger, president and chief executive, Jim Cronin and Nick Salmon from GEC, Claude Darmon from Alcatel, and François Newey, who recently joined the company as finance director from Bull, the French computer group.

The company has a limited time in which to make the offering after publishing its accounts for the year ended March 31 before the holiday season starts in July. At the moment it is expected to conduct marketing campaigns in early June with the share offering coming towards the end of the month.

An £1.2bn special dividend would reflect the investment in the company by GEC and Alcatel-Alsthom, which agreed to merge their heavy engineering businesses in 1988. The company's balance sheet shows share capital of £298m and additional paid-in capital of £935m.

The company had net cash of about £1.5bn at the end of its last financial year in March 1997, and shareholders' funds of about £2bn against which to borrow.

Debits will also be increased by its agreement, announced this week, to buy Cegelec, Alcatel's electrical contracting business, for between £500m and £550m.

Both GEC and Alcatel plan to sell at least 25 per cent of the company, leaving each with a 24 per cent stake. However, a "green shoe" facility, to meet excess demand, could result in a further 6 per cent being sold, leaving each parent with 21 per cent.

Alsthom will adjust its dividend policy to reflect its new status as an independent business.

In the past it has paid out about 70 per cent of its earnings to its parents. In future this will be cut to about 30-40 per cent in line with others in the industry.

## Protests at Kia as receiver arrives

By Haili Simonsen, Motor Industry Correspondent

Workers at Kia Motors, South Korea's third biggest carmaker, downed tools yesterday over the arrival of a court-appointed receiver but stopped short of declaring an immediate all-out strike.

The stoppage and a mass resignation by 1,000 managers highlighted employees' concerns that Kia's creditor banks would sell the group to another vehicle manufacturer, with the risk of job losses.

In an attempt to calm union fears, Yoo Jong-ryul, the receiver appointed yesterday by a Seoul court, denied he intended to push through sales of Kia, and its commercial vehicles arm, Asia Motors. "I won't push for the sales of the companies, as some people speculate. I will focus on normalising them after reviewing their situations."

Union leaders decided to postpone a full strike pending clarification of the government's position on a possible takeover of the group. Mass meetings of Kia's 14,000 workers had shown overwhelming support for strike action.

Mr Yoo said Korea Development Bank, which will become Kia's biggest shareholder after investing a promised Won230bn (\$230m), had not yet decided on a sale.

Mr Yoo's comments did not damp speculation that Kia and Asia would be sold. Hyundai Motors, Korea's biggest carmaker, has indicated it would be interested, as has Samsung, the industrial group that started building cars last month. Samsung might act in collaboration with Ford, which already has about 17 per cent of Kia in a joint holding with Mazda, the Japanese carmaker Ford controls.

Korean law allows companies in receivership protection from creditors while a court-appointed manager draws up a recovery plan, but analysts doubt Kia can survive independently, given its poor profitability - now exacerbated by the collapse in domestic sales since last year's financial turmoil in Asia.

A Kia Motors official said the company had debts last year of Won7,970bn, compared with Won 980bn in equity capital. This week, Kia forecast its debt-to-equity ratio this year would fall to 707 per cent.

Union leaders had been demanding that the court appoint a second administrator from within the company.

● Hanwha Machinery, a subsidiary of the big Hanwha group, has agreed to sell its bearing operations to Germany's FAG Kugelfischer for DM420m (\$251m).

Hanwha Machinery is also in talks to sell its 51 per cent stake in Hanwha Automotive Component, a joint venture with Ford, and its half share in Hanwha GKN, a venture with the UK engineering group.

## \$2bn asset exchange seals C&W-Telecom Italia links

By Alan Cane

Cable and Wireless of the UK and Telecom Italia yesterday cemented their week-old relationship with an exchange of assets expected to be worth more than \$2bn to the UK company.

A broad understanding between Europe's fourth largest carrier and C&W emerged last weekend when the two companies said they were exploring the possibility of co-operation on their respective networks.

Yesterday they said they intended to invest in a joint operating company, which would "optimise the investment in the two companies' global networks and services to multinational companies".

C&W has agreed to sell its 20 per cent stake in Bouygues Télécom, the French mobile phone operator, to Telecom Italia to underpin the alliance.

Dick Brown, C&W chief executive, said the new company would carry more than 17bn minutes of telecoms traffic annually, making it the second largest international carrier after AT&T of the US.

The partnership will not be sealed by an exchange of equity.

However, C&W has agreed to sell Telecom Italia up to 20 per cent of its wholly owned West Indies company and 5 per cent of C&W North America, the first time the UK company has allowed another company a share of its North American assets. With the sale of the stake in Bouygues worth \$743m, the value of the disposals will come to more than \$2bn.

Telecom Italia will integrate its 29 per cent holding in the Cuban telephone company Etecsa into C&W West Indies at a later date.

Mr Brown and Gian Mario Rossignolo, Telecom Italia president, said the alliance would be characterised by an absence of bureaucracy and an ability to act quickly unusual in large telecoms operators.

It is hoped the detailed business plan will be complete by the end of June.

See Page 14

## Compaq investors unfazed by earnings fall to cent a share

By Louise Kohne in San Francisco

Compaq Computer reported a sharp drop in first-quarter earnings and warned that second-quarter results would also be weak as it continued to cut prices and overhaul manufacturing and distribution.

The world's largest personal computer manufacturer reported revenues for the first quarter of 1998 of \$6.7bn, an increase of 8 per cent over \$6.5bn in the first quarter last year. However, net income dropped to \$18m, or 1 cent a share, compared with net earnings of \$414m, or 27 cents a share, a year ago.

The results were in line with Wall Street analysts' sharply reduced estimates following a profits warning in March when the company disclosed that North American sales to corporate customers had dropped significantly and distribution channels were overstocked.

Efforts since then to boost sales by dropping prices and offering special promotions had accelerated sales, said Eckhard Pfeiffer, chief executive.

In comments that boosted investor confidence, Compaq also said it expected worldwide PC sales to grow by 15-20 per cent this year, dispelling concerns about a broad market slowdown.

Compaq's inventories had decreased by \$314m, or 20 per cent, from the fourth quarter of 1997, said Earl Mason, chief financial officer. This helped to boost the company's cash balance to \$7bn, an increase of 43 per cent over \$5bn a year ago. However, it would take another quarter of adjustment to put the company's core business on a track of improved profitability.

Compaq had been slow to respond to changing patterns in the way businesses purchased PCs, industry analysts said. The company was in the process of shifting to a "built to order" model that enabled buyers to choose systems configured to meet their specific needs.

Compaq's shares rose slightly to trade at \$26 1/2 in mid session yesterday, up from Tuesday's close of \$26 1/4.

March 1998

### CARCRAFT

£50,000,000  
Management Buy-Out

£15,000,000 Equity investment by  
Royal Bank Development Capital Limited

Senior debt facilities provided by  
Bank of Scotland Structured Finance

Deal initiated and management advised by  
Price Waterhouse

Advisers to Royal Bank Development Capital Limited  
Dickson Minto WS  
KPMG Transaction Services

Royal Bank Development Capital Limited, Registered Office:  
42 St Andrew Square, Edinburgh, EH2 2NU  
Incorporated in Scotland Number 107454  
A Royal Bank of Scotland Company

Royal Bank Development Capital

and's minutes  
interest rates

and's minutes  
interest rates

and's minutes  
interest rates

and's minutes  
interest rates

and's minutes  
interest rates

and's minutes  
interest rates

and's minutes  
interest rates

and's minutes  
interest rates

and's minutes  
interest rates

and's minutes  
interest rates

### INSIDE

**SFX promotes itself to the big league**  
Since last summer, SFX Entertainment, a subsidiary of SFX Broadcasting, the New York-based media group, has spent \$500m on buying rock concert promoters throughout the US. It is the biggest company in the cottage industry of US concert promoters, with 40 venues in 20 US cities including New York, San Francisco, St Louis and Los Angeles. Rival promoters fear that SFX will out-bid them for superstar acts, such as U2 and the Rolling Stones. Some managers are concerned that SFX might exploit its power in negotiations with them and their acts. Others argue that a well-capitalised investor could strengthen a traditionally fragmented industry. Page 19

**Singapore turns crisis to advantage**  
Singapore's biggest companies are seizing the opportunity of the Asian financial crisis to uncover inefficiencies that may have crept in during the good years and to search for ways of increasing competitiveness during the bad. Page 20

**Malaysian Index hit by economy fear**  
Kuala Lumpur blue chips fell 3 per cent, following the news that Malaysia's consumer price index had risen 5.1 per cent in March, while industrial production in February had slumped 2.2 per cent year-on-year, indicating that the economy could slow down faster than expected. Page 34

**Indonesian projects at risk of default**  
Four Indonesian independent power projects are at risk of default on \$855m of rated bonds, according to a report from Moody's Investors Service. These would be the first significant defaults of project bonds, creating shockwaves for a market that has grown to more than \$92bn of outstanding debt. Page 22

**Argentina set to be top nut exporter**  
Argentina could become the world's biggest exporter of peanuts this year because of rains brought by the El Niño weather phenomenon. Exports could reach more than 400,000 tonnes if the weather holds during the next few weeks of harvesting. Page 24

**Asian markets recover - technically**  
Asian markets have recovered from their lows over the past few months, with the most dramatic bounces in those markets worst hit - Indonesia has climbed 51 per cent from its low in mid-December, while South Korea and Thailand have risen more than 30 per cent in local currency terms. However, the movements have been technical, and probably unsustainable. Page 34

**Strike hits Panama banana output**  
Banana production in Panama is set to be disrupted by a strike that has already cost \$13m in lost exports. Employees at the Chiriqui Land Company, a subsidiary of Chiquita Brands of the US, stopped work in February. The workers' main grievance has been the fate of employees at the Pacific coast port of Puerto Armuelles. The company wants to end shipments there and send bananas to an Atlantic port for easier access to US and European markets. Page 24

### COMPANIES IN THIS ISSUE

AGF	16	Manchester Utd	8
AMR	18	Mannheim	19
ANA	20	Mediaset	19
Alcatel-Alsthom	21, 15	Metropolitan	14
Alliant	16	More	21
American Airlines	14	Nave Corporation	9, 19
BTM	20	Nokia	16
Banqueparibas	14	Northrop Grumman	16
BankAmerica	17	Oglebay Norton	17
Bear Stearns	17	Okamoto Industries	7
Boeing	16	P&L	20
British Aerospace	9	P&A	20
British Borneo	7	P&O	7
Cable and Wireless	14, 15	Pennzoil	17
Castrol	16	Premier Oil	17
Carlson	17	Quaker State	17
Charles Schwab	15	Raisio	16
Clear Channel	21	SBC	16
Doca-Cola	17	SFX Broadcasting	19
Compaq	15	SFX Entertainment	19
Cubacan Exploration	7	Segami Rubber	7
Dalmeida Securities	20	Sherritt	20
Decatur	21	Siebs	21
Fonoro	16	Stimulation Sciences	21
GEC	21, 15	Singapore Airlines	20
General Motors	9	Singapore Power	20
Genral	7	Singapore Telecom	20
Gloodyer	17	Suez Lyonnais	11
Grenada	11	Tatkalika	18
HSBC	20	Tech Data	18
Ionics	21	Telecom Italia	14, 15
Johnson & Johnson	16	Time	20
Kia Motors	15	Time Warner	18
UQ	7	Total	7
Light	14	UBS	16
Lloyds TSB	21, 14	Unilever	17
Lockheed Martin	18	Vig	16

### CROSSWORD, Page 24

### MARKET STATISTICS

Annual reports service	28	F&E Actuaries share index	30
Benchmark cost index	22	Foreign exchange	22
Bond future and options	22	Gilt price	22
Bond prices and yields	28	London share service	28, 29
Commodity prices	24	Managed funds service	25-27
Dividends announced, UK	21	Money markets	22
EMS currency rates	22	New int'l bond issues	22
European prices	22	Recent issues, UK	23
FX/GBP-A World Index	31	Short-term int'l rates	22
FX/GBP-A World Index	31	Stock markets at a glance	22
FX/GBP-A World Index	31	US interest rates	22
FX/GBP-A World Index	31	World stock markets	21

echo Bank

## COMPANIES &amp; FINANCE: EUROPE

## NEWS DIGEST

## BANKING

## First quarter at new UBS beats expectations

The enlarged Union Bank of Switzerland, which is merging with Swiss Bank Corporation, earned SF1.3bn (\$871.5m) in the first quarter of 1998.

The net profit after taxes and minorities was slightly ahead of last year's quarterly average of the enlarged group, and is the first sign that the new UBS might be able to post higher profits in 1998.

Marcel Ospel, chief executive designate of the new group, disclosed the figures at yesterday's first annual meeting of Swiss Bank Corporation.

At the time of last December's merger announcement, it had been estimated that earnings of the enlarged group would be diluted by 10 per cent in its first year of operation.

However, all divisions of the new group posted higher profits in the first quarter, with the Warburg Dillon Read investment bank, which had just about broken even in the final quarter of 1997, reporting particularly strong earnings growth.

Mr Ospel said yesterday that he still expected the merger will be completed early in the second half of the year. William Hall, Zurich

## COMPUTER DISTRIBUTION

## Viag in Tech Data deal

Viag, the Munich-based conglomerate, could hold up to 16 per cent in Tech Data, the Florida-based personal computer distributor, under a deal by which it will transfer its Computer 2000 operation to the US group.

Viag insisted it remained committed to the fast-growing personal computer distribution market, but its sale of Computer 2000 had been forced by the "accelerating pace of globalisation in PC trading".

Viag took a majority stake just four years ago in Computer 2000, which reported an after-tax loss of DM70m (\$38.8m) in the 1996-97 financial year.

The combined Tech Data group - already the world's second largest computer products distributor after Ingram Micro - is expected to have sales this year of about DM27bn.

Under a deal disclosed late on Tuesday, Viag is selling the 80 per cent it holds in Computer 2000 in exchange for Tech Data stock and convertible notes.

Overall the transaction is worth about \$390m. Ralph Atkins, Bonn

## TELECOMS

## Nokia in 2-for-1 share split

Nokia, the Finnish telecommunications group, yesterday announced a two-for-one share split, effective from today. The move reduces the nominal value of Nokia's A and K shares from Fm5 to Fm2.5.

The split is aimed at making the stock more tradeable for small investors following a sharp rise in the market value of Nokia shares in recent years, fuelled by rapid growth of the group's mobile telephony business.

Nokia's most-traded A shares rose Fm21.20 to Fm67.5 yesterday, representing a gain of about 130 per cent over the past 12 months. Nokia last split its shares, by a four-to-one ratio, three years ago. Greg Melvor, Stockholm

## SATELLITES LUXEMBOURG LISTING LIKELY TO VALUE GROUP AT \$3BN

## SES shareholders back flotation

By Cathy Newman in London

Shareholders in Societe Europeenne des Satellites, owner of Astra satellites, yesterday voted unanimously to float the company on the Luxembourg stock market.

The flotation, which would be likely to value SES at more than \$3bn, follows similar moves by a number of other satellite operators.

SES owns seven satellites, with four more under construction. The company, created in 1985, has a number of

high-profile clients, including British Sky Broadcasting, the satellite broadcaster, the British Broadcasting Corporation and Flextech, the UK pay-TV company.

At the annual general meeting, shareholders backed a listing on the Luxembourg market before the end of the year, with a secondary listing a possibility.

SES said yesterday that a flotation would enable it to establish a market-driven valuation of the company. It also wanted to widen its investor base.

All SES shareholders,

which include Deutsche Telekom, Dresdner Bank Luxembourg and Ulster Television, have agreed to take part in the flotation, which will lead to a reduction in their shareholdings. The company would not say how many shares would be put on the market.

Four banks - Morgan Stanley, Deutsche Bank, Dresdner Bank and the Banque Generale du Luxembourg - have been appointed to handle the operation.

SES sales rose 27 per cent to LFr17.874bn (\$480m) in 1997, with net profits up

24 per cent to LFr6.406bn. The company said the forthcoming launch of the Astra 2A satellite would improve revenues this year.

Although SES's market value has not been determined, Pearson, owner of the Financial Times, sold a 7.8 per cent economic stake in the company for £160m (\$270m) in February, indicating a £2.1bn value for SES.

It emerged yesterday that Clay Whitehead, a US satellite specialist, has filed a suit in Luxembourg against SES claiming punitive damages and an estimated \$180m.

\$300m as his share of profits over 20 years, writes Simon Kuiper.

Mr Whitehead, who was director of the US Office of Telecommunications under President Nixon, supplied some of the satellite technology for SES in the 1980s, and says he is largely responsible for the company's "great financial success".

He argues that SES was wrong to suspend his 50 founders' shares in 1983. The company claimed that he had breached an agreement by working for competitors, which he denied.

## Allianz succeeds in bid to win control of AGF

By Andrew Jack in Paris

Allianz, the German insurance group, yesterday gained clear control over AGF of France, acquiring 78.7 per cent of the capital at the end of its friendly takeover bid, launched late last year.

The success of the operation means the group will scale back its subsidiary offer, leaving it with 51 per cent of AGF's shares with the remaining 49 per cent still quoted on the Paris stock exchange.

The details of the deal - launched as a "white knight" bid to block a hostile offer from Generali of Italy - emerged as AGF unveiled a 25 per cent rise in 1997 net income to FF1.9bn (\$314m).

Antoine Jeancourt-Gallignani, AGF's chairman, said: "After a long wait, this group is today not only ready for a real leap forward, but is already organising the conditions for it to take place."

He confirmed that Allianz would take less than half the boardroom seats, in line with its pledge during the takeover bid. The German insurer yesterday named three of its executives to the board, including Henning Schulte-Noelle, chairman. It also named Jean Peyre-



Antoine Jeancourt-Gallignani: AGF 'ready for a real leap forward'

vade, chairman of the French state-owned bank Credit Lyonnais and a long-time ally of Allianz, to the AGF board. Mr Jeancourt-Gallignani said he would remain chairman for the next four years, until he was 65.

Jean Philippe Thierry, the chairman of Athens, the insurance group acquired by AGF last year, will leave the group. André Lévy-Lang, chairman of Paribas and a member of the Athens board, will succeed him on the new AGF board.

Dominique Bazy, the former deputy head of the insurance group UAP and chairman of Allianz France, will join the executive board. He will be a managing director alongside Yves Mansion and Jean-François Debrois from AGF. There will be four other members of the executive committee.

The AGF results included Athens, which reported net income up 70 per cent to FF451m. AGF will soon acquire Allianz France and Assurances Federales IARD, the German group's French operations, for about FF770m.

## Raisio to launch low-fat version of Benecol

By Greg Melvor in Stockholm

Raisio, the Finnish food and chemicals group, will next week launch a new low-fat version of its cholesterol-cutting margarine, Benecol, in an attempt to broaden the product's appeal among consumers.

The Finnish company, whose shares have soared in the past two years on the back of Benecol's perceived potential, said "Benecol light", containing only 40 per cent fat, would complement the existing spread, which has an 80 per cent fat content.

Raisio denied that the introduction of a lower fat variant undermined the health-enhancing image it has promoted for full-fat Benecol. Sten von Hellens, a senior Raisio official, said many consumers had demanded a lower-fat version of the margarine.

He conceded that the new product could take "a little" market share from normal full-fat Benecol, but he predicted it would extend Benecol's appeal among people who prefer a lower-fat diet. At present, Benecol is available only in Finland,

where it has a market share of about 12 per cent. But Johnson & Johnson, the US healthcare group, last month signed a worldwide marketing deal for Benecol products and has pledged to transform the margarine into a global brand.

The US company is expected to launch a range of Benecol-based products in North America this autumn, assuming approval by the US Food and Drug Administration.

Clinical tests have suggested that daily consumption of Benecol can reduce levels of harmful cholesterol by up to 15 per cent.

The margarine's key cholesterol-cutting ingredient is known as stanol ester, an extract from wood pulp and vegetable oil.

Raisio said the Finnish National Food Administration had approved Benecol light as a special dietary product which could be recommended to people suffering from elevated blood cholesterol levels.

Results of clinical tests on the new spread will be published at next week's launch. Raisio shares rose Fm9 to Fm900 in Helsinki yesterday.

## Spanish tobacco group hits high

By Tom Ivers in Madrid

Shares in Tabacalera, the Spanish tobacco group to be fully privatised this month, touched an all-time high yesterday amid strong demand for its Pta342bn (\$2.2bn) share issue, launched this week.

Applications for Tabacalera shares were spurred by reports that tobacco prices in Spain would rise by up to 25 per cent over the next three years to adjust to those elsewhere in the European Union.

The tobacco company had previously forecast strong earnings growth from its diversification into the domestic distribution sector and from expansion in the international cigar market.

The share price yesterday rose to Pta4,000, an historic high, before falling back to close at Pta3,750, down from Tuesday's close of Pta3,850. The retail tranche of the issue, which involves the sale of the government's 52.5 per cent stake in the group, accounts for 63.3 per cent of the initial offer.

The company said this tranche had been 3.34 times over-subscribed within 48 hours of the start of the application period.

The demand from small savers totalled 162,000 individual applications for shares and represented more than twice the total value of the offer.

The disposal will be completed on April 28, and Tabacalera is confident the sale of the government's stake will increase its number of shareholders from 14,000 to more than 300,000.

The strong demand suggested the government would push ahead with the privatisation of the power group Endesa, provisionally scheduled for May or June. This disposal, which is likely to be similarly weighted towards small domestic savers, is worth some Pta1,366bn, and will set a new record for a market privatisation in Spain.

## KPN's profits exceed expectations.

The net income of Royal PTT Nederland NV (KPN) increased in 1997 by 9.3% to NLG 2,690 million. Sales went up by 44.3% to NLG 30,776 million. Sales at PTT Telecom reached NLG 15,473 million and at PTT Post/TNT NLG 15,267 million. KPN's operating income

went up by 6.2% to NLG 4,642 million. Earnings per share rose in 1997 to NLG 5.72, as compared with NLG 5.29 in 1996.

The KPN Board of Management has decided, subject to approval of the financial statements, to pay a dividend of NLG 3.10 over the 1997 financial year.

The 1997 dividend will be equal to the sum of the first interim dividend of NLG 1.10 and the second interim dividend of NLG 2.00, so no final dividend will be paid. Shareholders may elect to receive the second interim dividend either in cash or in shares. The dividend will be made payable as of May 25, 1998, after the option period that will run from April 29 to May 20, 1998.

PTT Post/TNT recorded a net profit of NLG 694 million in 1997. TNT/GDEW contributed NLG 64 million to the profit. Sales more than doubled to NLG 15,267 million, and

operating income increased by NLG 212 million (19.1%). Mail, Express and Logistics contributed to the higher sales by NLG 24 million, NLG 139 million and NLG 20 million, respectively.

In millions of guilders	1997	1996	Growth
Total operating revenues	30,776	21,330	44.3%
Operating income	4,642	4,365	6.2%
Earnings	2,690	2,462	9.3%
Group equity	17,565	16,825	4.4%
Earnings per share	NLG 5.72	NLG 5.29	8.1%

PTT Telecom recorded a net profit of NLG 1,941 million and sales of NLG 15,473 million, an increase of 9.4% and 8.4%, respectively. Much of the growth in sales can be attributed to the increase in sales of mobile communication services by NLG 524 million (27.8%) and of national telephony services by NLG 366 million (5.6%). Station 12 (satellite communication) increased its market share and strengthened its position as global market leader.

In June 1997, the Board of Management announced its

decision, with the approval of the Supervisory Board, to recommend to its shareholders to resolve the demerger of the mail, express and logistics activities. The demerger will allow KPN NV (the new telecommunications company), TNT Post

Group NV and Vision Networks NV, in principle, to operate independently of each other.

The 1997 KPN annual report will be published in late May 1998. The general meeting of shareholders will be held in The Hague, The Netherlands on June 26, 1998.

Copies of the 1997 KPN annual report are obtainable by filling in the coupon or by faxing +31-23-5623024.

PLEASE, send me a copy of the 1997 KPN Annual Report (available from May 25).

Name: \_\_\_\_\_ m/nms

Company: \_\_\_\_\_

Address: \_\_\_\_\_

Postcode/city: \_\_\_\_\_

Send in a sealed envelope to: KPN, Answernummer 61, 9700 VB Groningen, the Netherlands.



Goodyear in first

Bank Ar

Unisys I

Second 1997 Interim Dividend

KPN will pay a second 1997 interim dividend instead of a 1997 final dividend.

Due to the planned demerger of KPN, the general meeting of shareholders of KPN will be held on June 26, 1998, in order to pay a second 1997 interim dividend to ensure that all shareholders their dividend is, previously scheduled.

**Spanish tobacco group hits high**  
By Tom Morris in Madrid

**Launch 'sion**

**TYRES STRONG US DOLLAR AND ASIAN CRISIS TAKE TOLL**

# Goodyear sales dip in first quarter

By Nikki Teet in Chicago

The strength of the US dollar coupled with weakness in Asian markets caused Goodyear, the US tyre manufacturer, to report a dip in first-quarter sales to \$3.1bn. In the same period a year earlier, the Ohio-based group saw sales of \$3.2bn.

But Goodyear still managed to post a modest gain in after-tax profits. The company said net profits totalled \$176.5m, up from \$170.4m in the first quarter of 1997, with earnings per share rising from \$1.08 to \$1.11.

Excluding one-off items - which included a gain of

\$37.9m on the sale of a latex plant and the loss of \$94.7m related to the pending sale of its All American Pipeline System - earnings per share rose from \$1.01 to \$1.09.

This was just slightly ahead of analysts' estimates which averaged around the \$1.08 mark, according to First Call.

Samir Gibara, Goodyear's chairman, described the Asian markets as "severely depressed", and the company reported a 50 per cent reduction in original equipment sales in the Asian region.

The translation effect from strong US dollar against both Asian and European currencies also cost the com-

pany about \$124m in sales.

However, Goodyear said profitability had been helped by lower raw material costs, and some continuing productivity improvements.

It reported a gross margin of 34.7 per cent, up from 33.5 per cent a year earlier.

Meanwhile, Eaton Corporation, the Cleveland-based controls group which is a big supplier to the automotive and semiconductor industries, also reported a sales decline in the first quarter, to \$1.69bn compared with \$1.75bn a year earlier.

Aftersales profits rose 4 per cent to \$106m, with earnings per share increasing more significantly, from \$1.29 to \$1.42.



Samir Gibara: Asian markets 'severely depressed'

# BankAmerica exceeds expectations

By John Andrius in New York

BankAmerica, which this week announced it was merging with NationsBank to form the largest retail bank in the US, yesterday released earnings figures for the first quarter comfortably ahead of Wall Street analysts' expectations.

In line with the trend already noted at most of the commercial banks to have reported so far, fee income from activities such as fund

management and capital markets increased substantially, while net interest income, derived from lending, fell somewhat.

Overall, BankAmerica's profits rose to \$855m from \$780m in the equivalent quarter of 1997, helped by a sharp rise in non-interest income, which increased 32 per cent to \$1.51bn.

Earnings per diluted share rose to \$1.17, compared with \$1.03 a year ago. This was 2 cents ahead of the consensus

of analysts' expectations, according to a poll by the Boston-based First Call research group.

It was helped both by its acquisition of the Robertson Stephens investment bank, completed during the final quarter of last year, and by a rebound in its international trading operations following the problems caused by the Asian currency crisis.

Trading income rose from \$68m in the fourth quarter of last year to \$81m. This was

also comfortably ahead of the \$68m recorded in the first quarter of last year.

BankAmerica, which is based in San Francisco, also confirmed that it would have to stop its share repurchase campaign, having bought 8.2m shares during the first quarter. This is because its merger with NationsBank will be accounted as a pooling of interests.

It also announced it had cancelled the planned sale of its retail businesses in

Texas, because these can now be merged with NationsBank's large branch network in the state.

BankAmerica's shares fell slightly in morning trading, although by slightly less than the average for the sector, down 1/4% at \$91.

Trading revenues for Republic New York increased by 24 per cent over the year to \$66m, while net interest income was only slightly increased, up from \$263.6m to \$269.5m.

# Unisys lifted by growth in IT services

By Christopher Price in San Francisco

Strong growth in information technology services helped Unisys, the US computer products and services group, to triple net income to \$63m in the first quarter of 1998.

Revenues rose 8 per cent to \$1.65bn.

Lawrence Weinbach, chairman and chief executive, said the results underlined

the group's recovery. Strong cash generation during the quarter had led to further reductions in the group's debts. The group aims to reduce borrowings by \$1bn by 2000.

Mr Weinbach said he was confident of reaching the target and that this would open up further opportunities.

"We are going to increase our investment in the business and possibly look at acquisitions. There is a lot of

consolidation going on in the IT industry at the moment and we are keeping an eye on that."

As part of this strategy, Unisys will next week ask shareholders to approve an increase in the number of shares in case a suitable opportunity arises. "It will give us flexibility," said Mr Weinbach.

The IT services business, which supplies systems and services to business users,

moved from an operating loss of \$50m to a profit of \$7m.

Sales increased 19 per cent to \$510m, with computer systems sales flat at \$616m as a result of Unisys's decision to pull out of the personal computer and low-end server markets.

Unisys announced last month that it had struck an agreement with Hewlett-Packard for the supply of PCs, notebook computers

and servers as part of a strategy of becoming an IT solutions business.

Mr Weinbach set out at that time Unisys's strategy for reducing its heavy debts. With \$196m paid off in the first quarter, the company had subsequently achieved debt reduction of \$80m.

Debt levels are currently about \$814m.

Earnings per share were 14 cents, compared with a loss of 6 cents

# Coca-Cola hurt by dollar's strength

By Richard Tomkins in New York

Coca-Cola, the US soft drinks group, yesterday said the volume of soft drinks sold in the first quarter surged an underlying 9 per cent worldwide, but the strong dollar led to a disappointing financial performance.

Net profits tumbled from \$987m to \$857m, largely because the previous year's first quarter included a substantial gain from the sale of the company's interest in Coca-Cola & Schweppes Beverages.

Even excluding the gain, equivalent to 8 cents a share, the improvement was weak by Coca-Cola's standards.

Underlying earnings per share rose just 9 per cent, from 32 cents to 35 cents, in a quarter with more shipping days than usual. The company also continued its heavy stock repurchases.

The earnings per share figure was slightly ahead of the consensus forecast of 34 cents a share, but in early trading Coca-Cola shares were down 1 1/2%, or nearly 2 per cent, at \$76 1/2.

Coca-Cola said underlying sales volumes, excluding the effect of extra shipping days, rose 9 per cent. Revenues and profits were hit by the rising dollar, which was 10 per cent stronger against a basket of currencies.

Operating profits rose 12 per cent to \$1.3bn in spite of the stronger dollar and heavy investment in marketing, intended to build volumes.

Coca-Cola, which earns 80 per cent of its profits from outside the US, has historically engaged in extensive currency hedging operations to protect its dollar profits, but the long rise in the dollar has reduced the effectiveness of these measures.

Yesterday it said its hedging operations had previously limited the negative impact on its bottom line to a maximum of 3 per cent, but the impact would likely be greater than that this year.

## NEWS DIGEST

### SECURITIES

## Bear Stearns ahead at \$166m in third quarter

Bear Stearns yesterday reported net income for its third quarter, ending on March 27, of \$166.3m, or \$1.15 a share, the second best quarter in the US-based securities firm's history and up from \$165.5m in the same period last year.

Revenues for the quarter were \$1.1bn, up 12.4 per cent from \$934.5m a year ago. The firm's staff is up 20 per cent, after significant additions in investment banking, equities and asset management. Sam Molinaro, Bear Stearns' chief financial officer, said recruitment had been facilitated by the displacement of staff caused by recent consolidation and retrenchment in the industry. The 400-strong London office was likely to add 50-100 more staff this year, he added.

Mr Molinaro said the firm would continue to build organically and was not looking for potential merger partners or acquisitions. Tracy Corrigan, New York

### MOTOR LUBRICANTS

## Pennzoil and Quaker in merger

Pennzoil and Quaker State have agreed to merge their competing motor lubricants and oil change centre operations into a new company with estimated annual revenues of about \$3bn. The deal brings together two of the biggest brands in the sector, and follows Pennzoil's successful defence against a hostile takeover bid from Union Pacific Resources, during which it claimed repeatedly it had plans to increase shareholder value.

The Pennzoil contribution will include the international Jiffy-Lube franchise business, which will be spun off into a separate company and then merged with Quaker State, which runs the Q-Lube chain.

Pennzoil shareholders, who will retain their existing stock and get one share in the new company for each unit already held, will own 61.5 per cent of the new group, which is yet to be named. Quaker stockholders will receive 0.62 shares for each Quaker share they own.

The deal is expected to be tax-free and reduce combined operating costs by up to \$125m a year. Christopher Partee, Los Angeles

### PROCESSING


## Oglebay bids for Global Stone

Oglebay Norton, the US resource and distribution group, has emerged as a "white knight" by offering CS250m (US\$174m) for Global Stone, the Canadian limestone processor that has been the target of a hostile takeover bid by the Belgian-based Carmeuse.

Global Stone said Oglebay Norton's bid represented a fair value for the company and announced it would lift the "poison pill" restrictions it had put in place to fend off Carmeuse's CS200m offer. Global Stone, which has facilities in Canada and the US, would operate as a business unit of Oglebay Norton under the direction of Global Stone's current management.

Oglebay Norton, which mines and markets industrial sands, has embarked on an expansion project and recently acquired a US limestone quarry. The company, which had 1997 revenues of US\$145m, also operates a shipping line in the Great Lakes region which Global Stone has used to transport its products. Scott Morrison, Toronto

ns.



**Second 1997 Interim Dividend**

KPN will pay a second 1997 interim dividend instead of a 1997 final dividend.

Due to the planned divergence of KPN, the general meeting of shareholders of KPN will be held on June 26, 1998. However, payment of a second 1997 interim dividend will ensure that shareholders receive their dividend as previously scheduled.

The Board of Management of Royal PTT Nederland NV (KPN) has decided, subject to approval by the Supervisory Board, to pay a second interim dividend of NLG 2 in cash per ordinary share of NLG 10 per value over the 1997 financial year.

KPN is offering each shareholder a choice of payment of the second 1997 interim dividend entirely in cash or entirely in the form of ordinary shares charged against the additional paid-in capital or, if the shareholder so elects, against the other reserves. The value of the dividend paid in shares will be 2% to 5% lower than the value of the cash dividend. The number of dividend rights existing shareholders to one new ordinary share will be established at a round figure based on the closing price of KPN shares on the AEX Stock Exchange on May 20, 1998.

Payment of the second interim dividend in shares charged against the additional paid-in capital will be exempt from dividend tax in the Netherlands. Payment in shares charged against the other reserves will in principle be subject to 25% dividend tax over the par value of the payment.

The schedule for the second 1997 interim dividend is:

- April 23, 1998 Ex-dividend listing of KPN shares and starting date for clearing form of payment of second interim dividend.
- May 20, 1998 Closing date for stating preference of second interim dividend payment options (before the close of trading on the AEX Stock Exchange).
- Adoption of the proposal for the dividend in shares based on the closing price on May 20, 1998. Approval by the Supervisory Board of the dividend proposal (in cash and in shares).
- Announcement of the second interim dividend in cash and in shares after the close of trading on the AEX Stock Exchange.
- May 25, 1998 Payment of dividend and start of delivery of shares in connection with stock dividend conversion.

If you are a shareholder, you should inform your bank or stock broker where the shares are in deposit before the end of the option period whether you wish payment of your dividend in cash or in shares. In general, your bank or stockbroker will indicate a preference on your behalf if you do not make your wishes known before the end of the option period.

Banks and stock brokers are requested to submit the dividend rights which are the subject of their clients' dividend payment options to ABN AMRO Bank N.V. in Amsterdam, ING Bank N.V. in Amsterdam or Rabobank Nederland in Utrecht not later than May 20, 1998 (before the close of trading on the AEX Stock Exchange).


Shareholders whose preferences have not been indicated will receive the dividend in cash after deduction of 25% dividend tax.

Payment of the dividend in cash and delivery of shares in connection with stock dividend conversion will start May 25, 1998. The new ordinary shares outside shareholders to the 1998 dividend and the dividends of subsequent years.

Delivery of ordinary shares to banks or stock brokers will take place based exclusively on the total number of dividend rights delivered by the bank or stock broker on May 20, 1998. Remaining fractions will be settled in cash.

Member firms of the AEX Stock Exchange will receive the compensation stipulated in the 90-56 circular for the conversion of dividend rights to enable shareholders to exchange their dividend rights free of commission.

The Board of Management  
Groningen, April 8, 1998  
Stationsplein 7



## Last Quarter, Wall Street's No. 1 IPO Underwriter Wasn't on Wall Street

"One surprise on the IPO front was the emergence of Arlington, VA - based Friedman, Billings, Ramsey Group as the top ranked underwriter of IPOs, excluding closed-end funds and unit issues." *The Wall Street Journal*, April 1, 1998

**Manager US Issuer IPOs 1/7/98 - 3/31/98**

Rank	Manager	Proceeds (\$mil)	Units (\$mil)	# of Issues
1	Friedman, Billings, Ramsey & Co., Inc.	802.5	13.3	4
2	Merrill Lynch & Co.	783.8	13.0	7
3	Morgan Stanley Dean Witter	606.3	10.0	4
4	Goldman, Sachs & Co.	589.8	9.7	6
5	Credit Suisse First Boston	504.7	8.3	5
6	Donaldson, Lufkin & Jenrette	488.7	7.7	8
7	BT Alex. Brown Incorporated	253.8	4.9	5
8	Salomon Smith Barney	248.9	4.1	3
9	JP Morgan & Co. Inc.	172.5	2.9	1
10	PaineWebber	164.9	2.7	2

Source: Securities Data Corporation. Banking includes closed end funds and units, proceeds exclude \$M in bank deposit of cash.

**We Thank our Clients for their Confidence in our Abilities and Congratulate our Talented Employees**

**FRIEDMAN BILLINGS RAMSEY**  
A New Culture in Investment Banking  
WASHINGTON • BOSTON • LEVINE • LONDON  
1-888-300-4237

\*The Wall Street Journal is a registered trademark of Dow Jones & Company, Inc. Friedman, Billings, Ramsey International, Ltd. (FBR) is a subsidiary of the U.S. subsidiary of Friedman, Billings, Ramsey Group, Inc. and approved this publication.

# Degussa

Degussa AG, Degussa Corporation, Degussa Canada,  
Degussa International Finance, ASTA Medica AG, ASTA Medica Inc., Muro Pharmaceutical Inc.

**DM 800,000,000 Global Syndicated Revolving Credit Facilities**

**DM 550,000,000 Multicurrency Revolving Credit Facility CAD 204,000,000 Multicurrency Revolving Credit Facility**

## Joint Arrangers

Chase Manhattan plc Royal Bank of Canada Group  
Dresner Kleinwort Benson Degussa Bank GmbH

## Lead Managers

Banca Commerciale Italiana, Frankfurt am Main Branch  
Banque Bruxelles Lambert France  
Banque Paribas de Paris S.A.  
Bayerische Landesbank, Frankfurt Branch  
The Chase Manhattan Bank AG  
Commerzbank Aktiengesellschaft  
Dan Danske Bank  
DG BANK Luxembourg S.A.  
GENERALE BANK NV  
L-Bank Landeskreditbank Baden Württemberg  
LANDESBANK RHEINLAND-PFALZ - Girozentrale  
Royal Bank of Canada Europe Limited  
Veritasbank Ireland  
WestLB Group

## Lead Managers

Banca Commerciale Italiana of Canada  
Bank of Montreal  
The Chase Manhattan Bank of Canada  
Citibank Canada  
Deutsche Bank Canada  
Dresner Bank Canada  
Royal Bank of Canada

## Managers

Deutsche Girozentrale International S.A.  
FRANKFURTER SPARKASSE  
HELABA Landesbank Hessen-Thüringen Girozentrale  
KREDEITSBANK-BANKVEREIN Aktiengesellschaft  
Norddeutsche Landesbank Hamburg S.A.  
Sal. Oppenheim jr. & Cie. Kommanditgesellschaft auf Aktien  
Zweigniederlassung Luxembourg  
Trikont & Burkhart KGaA

## Managers

Credit Suisse First Boston Canada  
Mellon Bank Canada

## Facility Agents

Dresner Bank Luxembourg S.A.

Royal Bank of Canada

CHASE

Dresner Kleinwort Benson

ROYAL BANK OF CANADA

DEGUSSA BANK

## The shareholders of SANDVIK AKTIEBOLAG

are hereby called to the Annual General Meeting of the Company  
to be held on Wednesday, 6 May 1998, at 3:00 p.m.  
at Ishallen, Jernvallen, Sandviken, Sweden.

### Notification

Shareholders who wish to participate in the Meeting should notify the Board of Directors by mail addressed to Sandvik AB, Legal Affairs, SE-811 81, Sandviken, Sweden, or by telephone, +46 (0)26-26 10 81 or telefax, +46 (0)26-26 10 86. Such notification must be received by Sandvik AB not later than 3:00 p.m. Monday, 4 May 1998. To be eligible to participate in the Meeting, shareholders must be recorded in the share register maintained by Värdepapperscentralen VPC AB (Swedish Securities Register Center) as of Friday, 24 April 1998. Shareholders whose shares are registered in the name of a trustee must have temporarily re-registered the shares in their own name not later than 24 April 1998.

Please provide name, personal registration or corporate identity number, address and telephone number when providing notification. If participation is by proxy, the proxy should be forwarded prior to the Annual General Meeting.

### Agenda

1. Election of Chairman of the Meeting.
2. Preparation of the list of shareholders entitled to vote at the Meeting.
3. Address by President Claes Åke Hedström.
4. Approval of the list of shareholders entitled to vote.
5. Election of members of the Board.
6. Determination of whether the Meeting has been duly convened.
7. Presentation of the annual report and auditors' report and the consolidated financial statements and consolidated auditors' report.
8. Motion on adoption of the income statement and balance sheet and the consolidated income statement and balance sheet.
9. Motion on the discharge of the members of the Board of Directors and of the President from liability for the fiscal year.
10. Decision on the disposition to be made of the profits shown in the balance sheet adopted by the Meeting.

11. Determination of the number of Board members and deputy members.
12. Determination of the number of auditors and deputy auditors.
13. Determination of the fees to be paid to Board members and auditors.
14. Election of the members of the Board and deputies.
15. Election of auditors and deputy auditors.

### Dividend

The resolution of the Annual General Meeting with respect to the dividend shall specify the date on which the share register maintained by VPC (Swedish Securities Register Center) and the related list of assignees, etc. are to be closed. The Board of Directors proposes Monday, 11 May 1998 as the record date for payment of the dividend. If the Meeting approves this proposal, it is estimated that dividend payments will be distributed on Monday, 18 May 1998 to persons recorded in the share register and related list.

### Proposal to the Annual General Meeting

Members of the Board: Percy Barnevik, Georg Ehrnrooth, Per-Olof Eriksson, Claes Åke Hedström, Claes Renterhielm, Mortiz Sahlin and Sven Ågren.

Auditors: Authorized Public Accountant Lars Svantemark, Authorized Public Accountant Bernhard Örn.

Deputy Auditors: Authorized Public Accountant Peter Mackström, Authorized Public Accountant Åke Nilsson.

The Board proposal is supported by shareholders representing approximately 45% of the voting rights for all shares in the Company.

SANDVIK AKTIEBOLAG (publ)  
The Board of Directors

**SANDVIK**

## LOFTS IN CYBERSPACE

MANHATTAN LOFT CORPORATION

## WEBSITE

<http://www.manloft.co.uk>

## Nakomthon Bank Public Company Limited

Cayman Islands Branch

U.S. \$30,000,000

Subordinated Floating Rate Notes due 2004

In accordance with the terms and conditions of the Notes, the rate of interest applicable for the interest period 15th April, 1998 to 15th October, 1998 is 7.1875 per cent. per annum. Interest payable on 15th October, 1998 per Note of U.S. \$100,000 will be U.S. \$3,693.65.

Bankers Trust Company, Fiscal Agent and Agent Bank

Hong Kong

### CORRECTION NOTICE

Socialist Republic of Vietnam

Discount Bonds Due 2028

Notice is hereby given that the Rate of Interest has been fixed at 6.625% and that the interest payable on the relevant interest Payment Date, September 14, 1998 against coupon No. 1 in respect of US\$1,000 nominal of the Bonds will be \$34.23.

April 16, 1998

By Citibank, N.A. Corporate Agency & Trust, Agent Bank

CITIBANK

## COMPANIES & FINANCE: THE AMERICAS

CANADIAN TELECOMS C\$1.6bn OFFER FUELS SPECULATION OVER RIVAL SUITORS

# Call-Net bids for Fonorola

By Edward Alden in Toronto

Call-Net Enterprises, the Canadian long-distance telecommunications carrier, yesterday announced a C\$1.6bn (US\$1.1bn) bid to take over Fonorola, an acquisition that would create the country's largest alternative long-distance company.

The announcement set off a frenzy of speculation that other bidders could enter the game, sending Fonorola's shares from C\$44.20 at Tuesday's close to a high of C\$67.25 in mid-day trading yesterday, C\$7.25 over Call-Net's bid price.

Analysts said other possible suitors included Alberta-based Telus, which is discussing a business combination with AT&T Canada

Long Distance Services, Bell Canada Enterprises, Canada's largest phone company, and WorldCom, of the US.

Fonorola's board was meeting last night to consider the offer. Juri Koor, Call-Net president and chief executive, said the acquisition would provide more than C\$600m in savings over five years from better use of the combined network and reduced capital and operating expenses.

"The combined company would have access to the entire Canadian marketplace, links to the US and an enhanced position to serve international and transit markets," he said.

Call-Net's subsidiary, Sprint Canada, is the largest

alternative carrier in the residential and small business long-distance market, while Fonorola is the second largest alternative provider for institutional and big business customers.

Fonorola also owns a gateway switch in New York, which could route Canadian and US calls overseas when Teleglobe loses its monopoly on international traffic later this year.

The combined entity would have 16 per cent of the Canadian long-distance and data services market, making it a serious rival to Bell Canada and to the Sprint alliance of regional telephone companies. It would control a 14,700km fibre-optic network with 1.38m customers in Canada, and

would generate about C\$2bn in revenue in 1998.

Call-Net is offering to buy all outstanding Fonorola shares for either C\$40 or 2.4 Call-Net class B non-voting shares, with the offer split 70 per cent cash (C\$1.12bn) and 30 per cent shares.

The bid could be complicated by a poison pill, or shareholder rights plan, adopted by Fonorola last year, which forces purchasers to hold a bid open for 60 days.

Call-Net's offer will expire 21 days after the meeting to Fonorola shareholders.

Call-Net yesterday reported first-quarter revenues of C\$258.1m, a 24 per cent rise on the same period last year. Call-Net shares were up C\$1.75 to C\$26.75.

# Crandall to step down as chairman of AMR

By Richard Tomkins in New York

AMR, parent of American Airlines, the second biggest US carrier, yesterday reported soaring profits for the first quarter and announced that Robert Crandall, its chairman and probably the best known figure in the world airline industry, would retire on May 20.

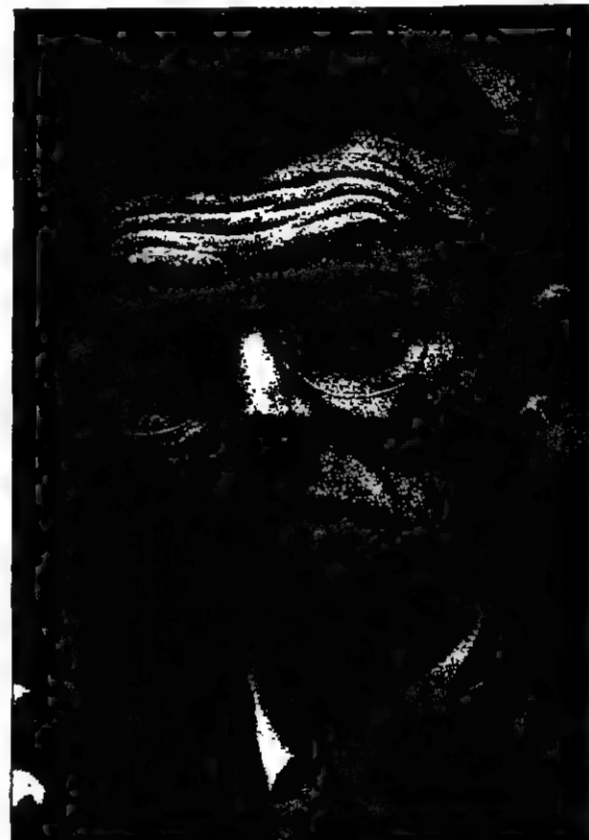
Mr Crandall, 62, recently indicated that he wanted to step down before reaching AMR's mandatory retirement age of 65. He will be succeeded by his heir apparent, Donald Carty, the company's president.

Mr Crandall leaves AMR at a time when American Airlines, and the rest of the US airline industry, has become more profitable than at any time since its inception. After seven years of growth in the US economy, domestic flights are operating with fewer empty seats than ever, enabling airlines to push up fares to record levels. At the same time, fuel costs have plummeted because of low oil prices.

AMR - the first US airline to report its first-quarter results - said net profits had shot up 90 per cent from \$152m to \$280m, or \$3.24 a share, far in excess of the \$2.51 a share predicted by analysts.

AMR's shares surged 35%, or 3 per cent, to \$162½ in early trading, taking other airline shares with them. UAL, parent of United Airlines, rose 1½ to \$83½, and Delta Air Lines rose 1½ to \$120½.

AMR also announced a two-for-one stock split. Mr Crandall, combative and gravel-voiced, is credited with shaping the world airline industry as well as AMR. Under his leadership,



Robert Crandall: credited with shaping world airline industry. Reuters

AMR invented frequent flyer programmes, developed the Sabre computer reservations system, led the field in yield management techniques and played a lead role in the development of hub-and-spoke route networks.

He also had his setbacks. His attempt to simplify the airline industry's complex pricing structure with a mileage-based system called value pricing contributed to heavy losses for AMR in the early 1990s when other airlines failed to follow its lead.

Earlier, in 1982, he famously ran into trouble

with the antitrust authorities when he was caught trying to persuade Howard Putnam, then head of Braniff International Airways, to co-operate in raising fares 30 per cent. Mr Putnam refused.

Mr Carty, a Canadian, has been with AMR since 1987 and was promoted to president in 1995.

He is regarded as less abrasive than Mr Crandall, though no less shrewd, and may help improve the airline's strained relations with its employees.

See Life and Observer

# Date set for court to consider Lockheed deal

By Alexander Nicks, Defence Correspondent

A US federal judge yesterday set a trial date of September 8 to consider the government's attempt to block Lockheed Martin's proposed \$3.3bn acquisition of Northrop Grumman.

Rumour Sullivan, a district court judge in Washington, said the case could take six weeks but promised a decision before Christmas.

The two military aircraft companies had argued for an earlier trial. A lawyer representing Northrop said that the company was in limbo and struggling to retain important personnel.

The government opposed the deal on the grounds that the combined group would have a virtual monopoly in some areas of elec-

tronics, and that vertical integration could lead the company to place its own electronic systems on its aircraft.

However, the attempt to preserve Northrop as an independent aircraft maker has puzzled the industry, since it has not won a contract to lead a significant new programme for some years.

"We were very supportive of the merger," said Alan Mulally, who heads Boeing's defence division, in a recent interview. Northrop is an important supplier to Boeing, which last year was allowed to acquire McDonnell Douglas.

Northrop Grumman's first-quarter results, released yesterday, showed its profits wiped out by a \$180m charge connected with the merger.

The company had a net loss of \$12m, compared with a profit of \$34m a year earlier, on sales down slightly from \$2.1bn to \$2.0bn.

The charge included \$180m in rewards already awarded to senior Northrop executives before the justice and defence departments blocked the acquisition by Lockheed last month. The remaining \$30m was for advisors' fees.

Lockheed received a minor setback with an announcement by the Pentagon that it was delaying until next year a decision to go ahead with full production of its F-22 stealth fighter.

The General Accounting Office, the investigative arm of Congress, had asked for more tests on the aircraft before funds were committed to full production.

# Losses at Time Warner hit \$62m

By Christopher Parsons in Los Angeles

Gerald Levin, Time Warner chairman and chief executive, yesterday repeated his predictions of a record year for the entertainment group despite a fall into a net loss of \$62m in the first quarter.

The results translated into a loss of 25 cents a share compared with a deficit of 8 cents last time, on revenues up 7 per cent at \$6bn.

However, operating cash flow reached new records, thanks in large part to a strong performance by cable television operations, and despite a lack of hits from the Warner Bros studio.

Group cash flow, expressed as operating earnings before amortisation of intangible assets, rose 7 per cent after adjustments for the sale and exchange of cable systems.

The publishing division, Time Inc., rose 12 per cent, and Turner Cable Networks advanced 34 per cent. Warner Bros, the HBO premium cable channel, and Time Warner Cable posted cash flow records.

Cash flow at Warner Bros, the film and television programming arm, rose 18 per cent and Time Warner Cable was up 17 per cent. The TBS film business, which includes Castle Rock and New Line, dropped into deficit as the success of *The Wedding Singer* was cancelled out by flops. *Lost in Space*, made by New Line, started well this month and has already grossed more than \$40m in the US.

Although Warner Bros also had a thin quarter at the box office, with only *LA Confidential* ranking as a success, television production results improved, thanks to popular series such as *ER* and *Friends*.

Music, long problematic throughout the entertainment industry, continued to struggle, with operating profits down at \$98m compared with \$118m, despite 13 Grammy Awards. Losses widened at the WB broadcast network, which showed a \$38m deficit against a loss of \$90m last year.

Comparisons with the group's results a year ago were made difficult by a \$200m gain in 1997 from the sale of its stake in the El Entertainment cable channel, while losses at WB were reduced last time by a gain made when Tribune Co exercised its option to increase its stake in the network to 22.5 per cent.

Reporting moves to cut debt by \$700m, Mr Levin said results were continuing to improve, putting it in a position to achieve BBB credit. "For the rest of 1998 we are on track for what I anticipate will be another record-breaking year," he said.

# Mediaset News Co in contac

Italy

Mediaset

News Co

in contac

Italy

Mediaset

News Co

in contac

Italy

Mediaset

News Co

in contac

Italy

Mediaset

News Co

in contac

Italy

Mediaset

News Co

in contac

Italy

Mediaset

News Co

in contac

Italy

Mediaset

News Co

in contac

Italy

Mediaset

News Co

in contac

Italy

Mediaset

News Co

in contac

# Mannesmann plans DM10bn investment

The engineering division.

Joachim Funk, chairman, said first-quarter sales for Mannesmann as a whole rose 23 per cent to DM5.8bn and orders were up 11 per cent to DM11bn.

The financial crisis in Asia, which could hit the group's loss-making plant making subsidiary Demag, had yet to make itself felt.

# Mediaset and News Corp still in contact

Mediaset reported a 4 per cent rise in 1997 consolidated net profits to L462.5bn (\$259m), a 10.3 per cent increase in pre-tax profits to L921bn and a 7.2 per cent rise in net revenues to L3,358.6bn.


Telepiu is currently 90 per cent owned by France's Canal Plus, in which Fininvest, Mediaset's parent company, has a 10 per cent stake.

The proposed slate, with the report of the Board attached, has been deposited for shareholders' disposition at the Company's headquarters, and at the main offices of the designated institutions (indicated in the announcement published on April 2, 1998 regarding the Convocation of the Annual Shareholders' General Meeting).

## Rock concert leviathan leaves rival promoters out of tune

They then acquired other radio stations and television companies. After selling most of their interests to Westinghouse Electric for

reached \$1.3bn last year, just below 1994's record of \$1.4bn. However, the market was dominated by established superstars with older, affluent fans who could afford relatively high ticket prices. The Rolling Stones and U2 accounted for 13 per cent of all North American ticket



Top: Rolling Stones (American Tour, 1997)

Artist	Price	Rating
The Rolling Stones	RB3	
U2	79.9	
Blackwood Mac	38.5	
Metallica	34.1	
Winkles & Dunes Bobo McIntire	33.0	
Guthrie Brooks	28.9	
Tina Turner	24.5	
also Prince	24.6	
Jimmy Buffet	24.4	
Armadillo	22.3	

Source: TicketCity

At present, most promoters strike small deals with local companies, but SPX plans to clinch block deals across several venues with national advertisers and sponsors. It also plans to promote rock concerts as corporate entertainment alternatives to opera houses or sports teams.

"Perhaps it is dangerous for one company to have so much power," says one band manager. "But I'd welcome anyone who brings new capital into this market."

Such acts are able to offset the high cost of touring by clinching sponsorship deals. U2 has spurned sponsorship so far, but the US leg of the Stones' tour was backed by Sprint the telecommunica-

tions company. Elton John has struck a deal with Citicorp for his summer tour, and Eric Clapton has one with Toyota's Lexus cars. By contrast, younger acts find it increasingly difficult to sell enough tickets to justify touring on a large scale.

## INDUSTRY EXPERTISE

**17TH—25TH MARCH: US\$2.25 BILLION**

**17 March**

WVB Insurance Group monetised its holding in Swiss Re through an innovative DM550 million exchangeable bond. As the sole manager, we sold the issue within two hours, generating demand from the top European convertible investors.

**19 March**

VNU wanted to finance its acquisition of ITT Worldwide Directories with minimum earnings dilution. With our help, VNU financed a portion of the acquisition through an NLG750 million convertible, one of the most competitively priced European issues ever.


**24 March**

New World Infrastructure's US\$250 million convertible bond offering was the first for a Hong Kong corporate since July 1997. We launched and priced on an overnight basis, thereby shielding the issuer from market risk.

**20 March**

We helped ASML to take advantage of a highly attractive market window and raise NLG600 million in an overnight transaction.

As sole manager of the issue, we succeeded in obtaining the highest ever conversion premium for a European convertible issue.



**25 March**

When Temasek issued its US\$1 billion zero coupon exchangeable into Singapore Telecom, the largest ever in Asia, we and our partners at DBS Bank completed the transaction overnight, and protected the client from potential risk in the market.

**MORGAN STANLEY DEAN WITTER**

Amsterdam Bangkok Beijing Frankfurt Geneva Hong Kong Johannesburg London Luxembourg Madrid Melbourne Milan  
Montreal Moscow Mumbai New York Osaka Paris São Paulo Seoul Shanghai Singapore Sydney Taipei Tokyo Toronto Zurich













© FT Credit Unit Trust Prices are available over the internet. Call the FT Credit Unit Desk on (44) 171 853 4500 for more details.

[illegible]

هكذا من الاصل

**FT MANAGED FUNDS SERVICE**

## Offshore Insurances and Other Funds

[illegible]

19, rue de St-Jean case postale 120, CH-1211 GENEVE 10  
Tél. (41) 22 344 87 20 - Fax (41) 22 345 14 88

19, rue de St-Jean case postale 120, CH-1211 GENEVE 10  
Tél. (41) 22 344 87 20 - Fax (41) 22 345 14 88



هكذا من الاصل













































































































































[illegible][illegible][illegible]

**TRADED INDEX**

Notes  
FTR (NO TRADE)

**GUIDE TO L**

Prices and trading volume shown, part of Financial Company classifications (see opening spread-pieces are 100 basis points difference) on the LSE pages are shown, as the Electronic Trading System day-trail prices.

Trading volumes are shown where up ticks last in minutes for those procedures are based on where ticks are displayed indicated about the securities are covering exchange prices.

[illegible]

**FT Free Answer**  
You can obtain the car-  
tridges needed with the 4-  
digit (weekend) or 5-  
digit (weekdays) number  
obtained via the internet  
at the next working day.

**FT Company**  
comprehensive 10-18  
minutes long, many dis-  
cussing FT forecasts and low-  
est share price perfor-  
mance, plus price recom-  
mendations.

For more information, con-  
tact the FT Plan (FT) and low-  
est share price performance  
team, call 01235 250 250  
or visit the website at [www.ft.com](http://www.ft.com).

**Cityline**  
to the second share  
Cityline service. Ser-  
vice are charged at \$1  
international service  
national subscription \$25  
verify financial pro-  
cess making any level  
access to and use of  
conditions - your call  
877.873.4376 for more  
share prices prior  
the Internet at [www.cityline.com](http://www.cityline.com)

**Templeton**

## AMERICANS

[illegible]

## CANADIANS

- Elk Mountain CS
- Elk Alpine Scat CS
- BC Gas
- BCE CS
- Bankart Gold
- Can Imp Rtr CS
- Can Pacific App Dpt
- Echo Bay
- Gulf Can CS
- Howarth St CS
- Hudson's Bay CS
- Imperial Oil CS
- Inco CS
- Pitco Algon
- Royal Bk Canada CS
- Toronto-Dom CS
- Trans Can Pipe CS
- Western Star Truck

## SOUTH AFRICANS

Anglo Am Ind R \_\_\_\_\_  
Barber \_\_\_\_\_  
Gold Field Prop R \_\_\_\_\_  
SA Breweries R \_\_\_\_\_  
Standard Bank \_\_\_\_\_  
Tiger Co. \_\_\_\_\_  
Tongaat-Hulth R \_\_\_\_\_

**TRADED INDEX SECURITIES**

FTSE 100 TRADING

## GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are obtained by Ecolat, part of Financial Times Information.

Company classifications are based on those used for the FISC Attention Share Index.

Closing mid-points are shown in pence unless otherwise stated. For FTSE 100 better conditions and otherwise contained in the Trading Volume table on the LSE page, last trading prices at or prior to 4:30pm; current close are shown, as these shares are now listed on the Stock Exchange.

Electronic Trading System (SETS). Hints and fees are based on:

Trailing Volumes are used by day accountants daily. Dealers indicate that either no trade has taken place during the day or the date is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

10.0 11.0 12.0  
 13.0 14.0 15.0  
 16.0 17.0 18.0  
 19.0 20.0 21.0  
 22.0 23.0 24.0  
 25.0 26.0 27.0  
 28.0 29.0 30.0  
 31.0 32.0 33.0  
 34.0 35.0 36.0  
 37.0 38.0 39.0  
 40.0 41.0 42.0  
 43.0 44.0 45.0  
 46.0 47.0 48.0  
 49.0 50.0 51.0  
 52.0 53.0 54.0  
 55.0 56.0 57.0  
 58.0 59.0 60.0  
 61.0 62.0 63.0  
 64.0 65.0 66.0  
 67.0 68.0 69.0  
 70.0 71.0 72.0  
 73.0 74.0 75.0  
 76.0 77.0 78.0  
 79.0 80.0 81.0  
 82.0 83.0 84.0  
 85.0 86.0 87.0  
 88.0 89.0 90.0  
 91.0 92.0 93.0  
 94.0 95.0 96.0  
 97.0 98.0 99.0  
 100.0 101.0 102.0  
 103.0 104.0 105.0  
 106.0 107.0 108.0  
 109.0 110.0 111.0  
 112.0 113.0 114.0  
 115.0 116.0 117.0  
 118.0 119.0 120.0  
 121.0 122.0 123.0  
 124.0 125.0 126.0  
 127.0 128.0 129.0  
 130.0 131.0 132.0  
 133.0 134.0 135.0  
 136.0 137.0 138.0  
 139.0 140.0 141.0  
 142.0 143.0 144.0  
 145.0 146.0 147.0  
 148.0 149.0 150.0  
 151.0 152.0 153.0  
 154.0 155.0 156.0  
 157.0 158.0 159.0  
 160.0 161.0 162.0  
 163.0 164.0 165.0  
 166.0 167.0 168.0  
 169.0 170.0 171.0  
 172.0 173.0 174.0  
 175.0 176.0 177.0  
 178.0 179.0 180.0  
 181.0 182.0 183.0  
 184.0 185.0 186.0  
 187.0 188.0 189.0  
 190.0 191.0 192.0  
 193.0 194.0 195.0  
 196.0 197.0 198.0  
 199.0 200.0 201.0  
 202.0 203.0 204.0  
 205.0 206.0 207.0  
 208.0 209.0 210.0  
 211.0 212.0 213.0  
 214.0 215.0 216.0  
 217.0 218.0 219.0  
 220.0 221.0 222.0  
 223.0 224.0 225.0  
 226.0 227.0 228.0  
 229.0 230.0 231.0  
 232.0 233.0 234.0  
 235.0 236.0 237.0  
 238.0 239.0 240.0  
 241.0 242.0 243.0  
 244.0 245.0 246.0  
 247.0 248.0 249.0  
 250.0 251.0 252.0  
 253.0 254.0 255.0  
 256.0 257.0 258.0  
 259.0 260.0 261.0  
 262.0 263.0 264.0  
 265.0 266.0 267.0  
 268.0 269.0 270.0  
 271.0 272.0 273.0  
 274.0 275.0 276.0  
 277.0 278.0 279.0  
 280.0 281.0 282.0  
 283.0 284.0 285.0  
 286.0 287.0 288.0  
 289.0 290.0 291.0  
 292.0 293.0 294.0  
 295.0 296.0 297.0  
 298.0 299.0 300.0  
 301.0 302.0 303.0  
 304.0 305.0 306.0  
 307.0 308.0 309.0  
 310.0 311.0 312.0  
 313.0 314.0 315.0  
 316.0 317.0 318.0  
 319.0 320.0 321.0  
 322.0 323.0 324.0  
 325.0 326.0 327.0  
 328.0 329.0 330.0  
 331.0 332.0 333.0  
 334.0 335.0 336.0  
 337.0 338.0 339.0  
 340.0 341.0 342.0  
 343.0 344.0 345.0  
 346.0 347.0 348.0  
 349.0 350.0 351.0  
 352.0 353.0 354.0  
 355.0 356.0 357.0  
 358.0 359.0 360.0  
 361.0 362.0 363.0  
 364.0 365.0 366.0  
 367.0 368.0 369.0  
 370.0 371.0 372.0  
 373.0 374.0 375.0  
 376.0 377.0 378.0  
 379.0 380.0 381.0  
 382.0 383.0 384.0  
 385.0 386.0 387.0  
 388.0 389.0 390.0  
 391.0 392.0 393.0  
 394.0 395.0 396.0  
 397.0 398.0 399.0  
 400.0 401.0 402.0  
 403.0 404.0 405.0  
 406.0 407.0 408.0  
 409.0 410.0 411.0  
 412.0 413.0 414.0  
 415.0 416.0 417.0  
 418.0 419.0 420.0  
 421.0 422.0 423.0  
 424.0 425.0 426.0  
 427.0 428.0 429.0  
 430.0 431.0 432.0  
 433.0 434.0 435.0  
 436.0 437.0 438.0  
 439.0 440.0 441.0  
 442.0 443.0 444.0  
 445.0 446.0 447.0  
 448.0 449.0 450.0  
 451.0 452.0 453.0  
 454.0 455.0 456.0  
 457.0 458.0 459.0  
 460.0 461.0 462.0  
 463.0 464.0 465.0  
 466.0 467.0 468.0  
 469.0 470.0 471.0  
 472.0 473.0 474.0  
 475.0 476.0 477.0  
 478.0 479.0 480.0  
 481.0 482.0 483.0  
 484.0 485.0 486.0  
 487.0 488.0 489.0  
 490.0 491.0 492.0  
 493.0 494.0 495.0  
 496.0 497.0 498.0  
 499.0 500.0 501.0  
 502.0 503.0 504.0  
 505.0 506.0 507.0  
 508.0 509.0 510.0  
 511.0 512.0 513.0  
 514.0 515.0 516.0  
 517.0 518.0 519.0  
 520.0 521.0 522.0  
 523.0 524.0 525.0  
 526.0 527.0 528.0  
 529.0 530.0 531.0  
 532.0 533.0 534.0  
 535.0 536.0 537.0  
 538.0 539.0 540.0  
 541.0 542.0 543.0  
 544.0 545.0 546.0  
 547.0 548.0 549.0  
 550.0 551.0 552.0  
 553.0 554.0 555.0  
 556.0 557.0 558.0  
 559.0 560.0 561.0  
 562.0 563.0 564.0  
 565.0 566.0 567.0  
 568.0 569.0 570.0  
 571.0 572.0 573.0  
 574.0 575.0 576.0  
 577.0 578.0 579.0  
 5

75.8 **Yields** are based on net prices, less gross, adjusted for a standard tax credit of 20 per cent and allow for value of declared distribution and rights.

\* Highs and lows include any low price adjusted to allow for capital charges

- † Interest rates increased or remained
- ‡ Interest rates reduced, gained or delivered
- § Figures not report available
- ¶ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange
- \*\* Free annual/interim reports available, see details below
- \*\*\* Rule 4.2(a) Irish incorporated non-listed companies

1 Price At time of suspension  
 2 Indicated dividend yield after pending scrip and/or rights issue  
 3 Longer bid or compensation in progress  
 4 Forecast dividend yield, not based on earnings updated by latest  
 5 interim statement.  
 6 Unregulated collection investment scheme.  
 7 - a yield based on previous year's earnings. All yield based on

[illegible]

17.1	galls their young into	series of steps, some	in which students
17.1	in flight across feeding	right side	went, job based on
14.3	g earnings based on	if told based on	prospects or other
	preliminary figures.	prospects or other	official estimates.
13.3	g therefore yield	official estimates for	if two times figure
	machines a year	1952	if doubled figure in 1951.
	payment.	if told based on	
16.4	g indicated distress	prospects or other	After a while;

yield, per call to us	offered amount for	in 1984
1984 annual savings	1984	in 1985
or Foreign, or universal	Estimated investment	in 1986
universal dividend	yield, per level to	in 1987
we expect an	total annual savings	in 1988

This service is available to companies whose shares are regularly traded on the United States or Canadian stock exchanges.

✻ FT Free Annual Reports Service  
You can obtain the correct annual/interim report of any company

brochures with the ☎ Ring 0181 770 0270 (open 24 hours including weekends) or Fax 0801 770 3822. Reports may also be ordered via the Internet at <http://www.iclub.com>. All reports will be sent the next working day, subject to availability.

☎ **FT Company Focus / Focus Plus**

- Comprehensive 10-18 page report available on this company.  
 - Containing key news stories from the last year, latest survey of City  
 - profit forecasts and investment recommendations, 5 year financial  
 - and share price performance review, balance sheet and profit and  
 - loss data, plus recent Stock Exchange announcements.  
 - Company Price (FY 1995) £2.65  
 - Comp. Rep. ACC and company documents, reports, 1995-96

**FT Cityline**  
Up-to-the-second share prices and analysis. AN International News wire

● An international service is available for callers outside the UK, whilst subscription £250 plus. Please consult your financial adviser and verify financial pricing information obtained via FT Cytel before making any investment decision.

**An access to and use of FT Chymia is subject to FT Chymia terms and conditions - your copy will be sent free on request. Call 0171 973 4378 for more information on FT Chymia.**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100  
101  
102  
103  
104  
105  
106  
107  
108  
109  
110  
111  
112  
113  
114  
115  
116  
117  
118  
119  
120  
121  
122  
123  
124  
125  
126  
127  
128  
129  
130  
131  
132  
133  
134  
135  
136  
137  
138  
139  
140  
141  
142  
143  
144  
145  
146  
147  
148  
149  
150  
151  
152  
153  
154  
155  
156  
157  
158  
159  
160  
161  
162  
163  
164  
165  
166  
167  
168  
169  
170  
171  
172  
173  
174  
175  
176  
177  
178  
179  
180  
181  
182  
183  
184  
185  
186  
187  
188  
189  
190  
191  
192  
193  
194  
195  
196  
197  
198  
199  
200  
201  
202  
203  
204  
205  
206  
207  
208  
209  
210  
211  
212  
213  
214  
215  
216  
217  
218  
219  
220  
221  
222  
223  
224  
225  
226  
227  
228  
229  
230  
231  
232  
233  
234  
235  
236  
237  
238  
239  
240  
241  
242  
243  
244  
245  
246  
247  
248  
249  
250  
251  
252  
253  
254  
255  
256  
257  
258  
259  
260  
261  
262  
263  
264  
265  
266  
267  
268  
269  
270  
271  
272  
273  
274  
275  
276  
277  
278  
279  
280  
281  
282  
283  
284  
285  
286  
287  
288  
289  
290  
291  
292  
293  
294  
295  
296  
297  
298  
299  
300  
301  
302  
303  
304  
305  
306  
307  
308  
309  
310  
311  
312  
313  
314  
315  
316  
317  
318  
319  
320  
321  
322  
323  
324  
325  
326  
327  
328  
329  
330  
331  
332  
333  
334  
335  
336  
337  
338  
339  
340  
341  
342  
343  
344  
345  
346  
347  
348  
349  
350  
351  
352  
353  
354  
355  
356  
357  
358  
359  
360  
361  
362  
363  
364  
365  
366  
367  
368  
369  
370  
371  
372  
373  
374  
375  
376  
377  
378  
379  
380  
381  
382  
383  
384  
385  
386  
387  
388  
389  
390  
391  
392  
393  
394  
395  
396  
397  
398  
399  
400  
401  
402  
403  
404  
405  
406  
407  
408  
409  
410  
411  
412  
413  
414  
415  
416  
417  
418  
419  
420  
421  
422  
423  
424  
425  
426  
427  
428  
429  
430  
431  
432  
433  
434  
435  
436  
437  
438  
439  
440  
441  
442  
443  
444  
445  
446  
447  
448  
449  
450  
451  
452  
453  
454  
455  
456  
457  
458  
459  
460  
461  
462  
463  
464  
465  
466  
467  
468  
469  
470  
471  
472  
473  
474  
475  
476  
477  
478  
479  
480  
481  
482  
483  
484  
485  
486  
487  
488  
489  
490  
491  
492  
493  
494  
495  
496  
497  
498  
499  
500  
501  
502  
503  
504  
505  
506  
507  
508  
509  
510  
511  
512  
513  
514  
515  
516  
517  
518  
519  
520  
521  
522  
523  
524  
525  
526  
527  
528  
529  
530  
531  
532  
533  
534  
535  
536  
537  
538  
539  
540  
541  
542  
543  
544  
545  
546  
547  
548  
549  
550  
551  
552  
553  
554  
555  
556  
557  
558  
559  
560  
561  
562  
563  
564  
565  
566  
567  
568  
569  
570  
571  
572  
573  
574  
575  
576  
577  
578  
579  
580  
581  
582  
583  
584  
585  
586  
587  
588  
589  
590  
591  
592  
593  
594  
595  
596  
597  
598  
599  
600  
601  
602  
603  
604  
605  
606  
607  
608  
609  
610  
611  
612  
613  
614  
615  
616  
617  
618  
619  
620  
621  
622  
623  
624  
625  
626  
627  
628  
629  
630  
631  
632  
633  
634  
635  
636  
637  
638  
639  
640  
641  
642  
643  
644  
645  
646  
647  
648  
649  
650  
651  
652  
653  
654  
655  
656  
657  
658  
659  
660  
661  
662  
663  
664  
665  
666  
667  
668  
669  
670  
671  
672  
673  
674  
675  
676  
677  
678  
679  
680  
681  
682  
683  
684  
685  
686  
687  
688  
689  
690  
691  
692  
693  
694  
695  
696  
697  
698  
699  
700  
701  
702  
703  
704  
705  
706  
707  
708  
709  
710  
711  
712  
713  
714  
715  
716  
717  
718  
719  
720  
721  
722  
723  
724  
725  
726  
727  
728  
729  
730  
731  
732  
733  
734  
735  
736  
737  
738  
739  
740  
741  
742  
743  
744  
745  
746  
747  
748  
749  
750  
751  
752  
753  
754  
755  
756  
757  
758  
759  
760  
761  
762  
763  
764  
765  
766  
767  
768  
769  
770  
771  
772  
773  
774  
775  
776  
777  
778  
779  
780  
781  
782  
783  
784  
785  
786  
787  
788  
789  
790  
791  
792  
793  
794  
795  
796  
797  
798  
799  
800  
801  
802  
803  
804  
805  
806  
807  
808  
809  
810  
811  
812  
813  
814  
815  
816  
817  
818  
819  
820  
821  
822  
823  
824  
825  
826  
827  
828  
829  
830  
831  
832  
833  
834  
835  
836  
837  
838  
839  
840  
84

## LONDON STOCK EXCHANGE

## Early attempt at new record runs out of steam

## MARKET REPORT

By Steve Thompson,  
UK Stock Market Editor

An early surge in share prices in London's equity market ran out of steam yesterday, in a performance very similar to Tuesday's, except for a marked deterioration just before the close.

The FTSE 100 index finished a rather lacklustre session just off the day's low, closing 30.0 down at 6,074.1, having been down 30.8 at its worst.

The other FTSE indices managed to escape the

downside pressures affecting the leaders, with the FTSE 250 closing up 4.2 at 5,546.0, compared with a day's high of 6.3 and an early dip when the index showed a 1.6 decline.

The FTSE SmallCap finished the day 0.2 ahead at 2,636.5, at its best, the index was up 4.1 at 2,640.4.

Behind the erosion of the market's early confidence was a lingering worry that another interest rate rise might still be on the cards, the minutes of the March meeting of the Bank of England's monetary policy committee revealed that the

members were still split down the middle over whether to increase rates.

More evidence of a mixed economic outlook came from the British Retail Consortium which said that sales had a sharp slowdown in March, although analysts pointed to technical reasons behind the fall.

Dealers in the London market were generally perplexed at the market's latest poor showing. "Wall Street is up getting on for 300 points over the past few sessions and London is in a bit of a funk," said one dealer. "Is it trying to tell us something? I think not. The

weight of money argument has been the driving force behind this market and will continue to be so. Strong nerves are what is needed," said the head of trading at one leading European investment bank.

Others remained aware of the high valuations on which London and Wall Street are trading. "My instinct tells me we should be going down. The more the market goes up the more nervous I get, but it is being driven by cash. There is an increasing amount of money from private investors being pumped into the

market and that too is a signal that we might be over-heating," said another senior marketmaker.

London shares were in good heart, prior to the release of the March monetary policy committee minutes, seen by some as a sign that another increase in UK interest rates might still be a realistic proposition.

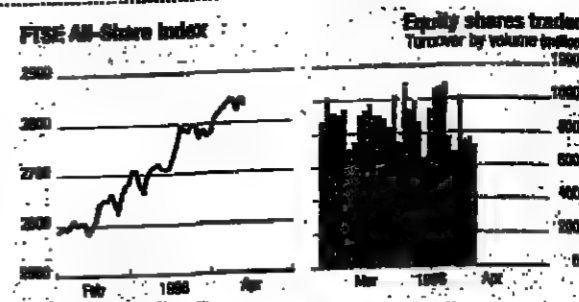
"The assumption that there are no more rises is wrong in that the slowdown is not sufficient to take pressure off the economy," was the view of one economist. Wall Street was one of the market's main props, the

Dow Jones Industrial Average racing up almost 100 points on Tuesday and making further progress at the outset yesterday, although London tended to ignore US trends towards the close.

The investment management sector was strong with Schroders and Amvescap Footstep's top performers and Halifax, the bank, also being chased higher at the close.

On the downside the pharmaceutical leaders, among the market's outperformers in the early part of the year, were under pressure all day.

Turnover at 6pm was a disappointing 726.3m shares.



Equity shares traded		Turnover by volume (pence)	
1998	1997	1998	1997
1,514,545	1,514,545	1,514,545	1,514,545
1,514,545	1,514,545	1,514,545	1,514,545
1,514,545	1,514,545	1,514,545	1,514,545
1,514,545	1,514,545	1,514,545	1,514,545

## SKline fails to impress

## COMPANIES REPORT

By Peter John and Joel Khezo

SmithKline Beecham was the biggest faller in the Footsie as the company's research and development presentation failed to impress.

SmithKline's presentation on Tuesday in New York sought to shift attention to its core strengths in developing drugs and away from speculation about strategy and management.

Also, Jean-Pierre Garnier, chief operating officer, said a merger remained an attractive option for boosting shareholder value.

Analysts said the most likely reason for the share price fall was news that SmithKline's diabetes treatment Avandia might be delayed by six months or so, beyond most analysts' expectations.

They said the presentation had been solid, with no real surprises, and while the potential for some groups of products was enormous, it was still a long way off.

Nigel Barnes at Merrill Lynch maintained his long-term buy recommendation but conceded that the valuation was beginning to look stretched.

"If they had come up with

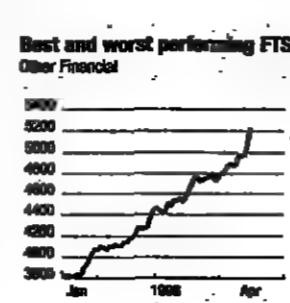
some outstanding data on Avandia (the next potential blockbuster) we could have been a little more upbeat. But it is trading at more than 20 times our 1999 earnings numbers while Lilly is on 26 times and Merck 24 times, and it looks up with events," he said.

The shares dropped 39% to 749p following a fall on Tuesday in the American Depositary Receipts. Zeneca fell 84 to 226.52 and Glaxo Wellcome 32 to 127.22.

Shares in Associated British Foods retreated further as brokers continued to downgrade current year profit expectations and

recommendations following Tuesday's profits warning. The shares lost another 27% to 570p. The group reported profits of £130m for the 24 weeks to the end of February 1998, at the top end of analysts' expectations. However, the company warned that the continued strength of sterling made it unlikely that last year's operating results will be matched.

Merrill Lynch shifted its short-term stance on the stock to "neutral" from "accumulate" although it retains its long-term "accumulate" recommendation. Banking stocks showed



signs of running out of steam following their remarkable run on the back of hopes that consolidation in the US will spill over into the UK.

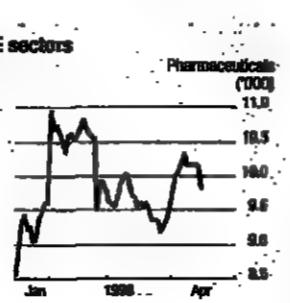
The sector was highlighted in the afternoon by news that Barclays and Union Bank of Switzerland were being sued for a total of £700bn by four clients in Chicago.

Lloyds TSB hit another all-time high in intra-day trading. But the shares have jumped 17 per cent in the past month and the bank was valued at more than 9% times its book value at best.

The stock slipped back to 12 and 12 at £10.63.

HSBC, seen as the prime candidate for UK expansion, also came off the boil. The shares fell 34 to £19.91 but both Merrill Lynch and Morgan Stanley issued warrants on the stock. Merrill issued 25m call warrants expiring in January while Morgan issued 11.4m put warrants with the same duration.

The former building societies, which have been left out of the recent post-results rally, put on a more sprightly performance.



Halifax was only showing a gain of 12% under the stock exchange's new electronic trading system. But that system reflects the price of the last trade. The mid-price - which is the difference between the best bid and best offer and shown on Reuters screens - had the stock up nearly 70 at 94p.

Meanwhile, among the merchant banks, Schroders jumped 253 or 9.3 per cent to £29.98 with support from a Flemings recommendation.

## Securicor slips

In telecoms, Securicor fell 10% to 41p after broker ABN Amro downgraded its pre-tax profits estimate for the group. The broker cut the current year's forecast by £200m to £100m and also moved its recommendation on the shares to "undervalued" from "buy".

Jim McCafferty at the broker blamed "transient costs associated with promotion and acquisitions" relating to Cellnet, the UK cellular business in which Securicor holds a 40 per cent stake.

He also cited the strong performance at Intel Diversified Corporation, the US group in which the UK company holds a 63 per cent stake. He said the positive start will mean an increase in start-up losses in the short-term but that the Cable & Wireless eased 3% to 745p after Credit Suisse First Boston was reported to have downgraded the stock.

to "hold" from "buy". The same broker was said to have raised its recommendation on British Telecommunications to "buy" from "hold". The shares slipped 2 to 650p.

There was two-way business in bid target Argos and the shares eased a penny to 638p.

It emerged yesterday that Soros Fund Management had bought 1.25m ordinary shares in the company at 638p per share.

The trade, said to have been done on Tuesday, helped the Soros Fund increase its holding in the bid target of Great Universal Stores to 4m shares, around 1.38 per cent.

Active buying of GUS, which last week raised its offer for Argos from 570p to 610p, saw it improve 15% to 517p.

The British Retail Consortium's March report hit furniture retailers particularly hard.

Sentiment had also been hit by the appalling weather over the Easter weekend, usually viewed as a crucial sales period for this sector.

Carpetright eased 5 at 365p, with dealers citing a change of recommendation by Furness & Gordon. The broker was said to have shifted its stance from "buy" to "hold".

Allied Carpets was also affected and the shares declined 2 to 152p. However, MFI Furniture added 2 at 96p. The news from the BRC report was not all bad and electrical goods retailers

Dixons was cheered by the report which indicated that March had proved a better month for the electrical and electronics sector. Dixons jumped 22 to 560p.

Watlington, the printing group, improved 22 to 349p boosted by news that the government had decided not to refer the bid by Investor to the Monopolies and Mergers Commission.

## FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LSE) £10 per full index point		FTSE 250 INDEX FUTURES (LSE) £10 per full index point		FTSE 100 INDEX OPTIONS (LSE) £10 per full index point	
Open	Settling	Open	Settling	Open	Settling
6074.1	6074.1	5546.0	5546.0	6074.1	6074.1
6074.1	6074.1	5546.0	5546.0	6074.1	6074.1
6074.1	6074.1	5546.0	5546.0	6074.1	6074.1
6074.1	6074.1	5546.0	5546.0	6074.1	6074.1

## LONDON RECENT ISSUES: EQUITIES

Company	Issue Size	Issue Price	Issue Date	Issue Type
British Telecommunications	£1.25m	638p	1998	Ordinary
British Telecommunications	£1.25m	638p	1998	Ordinary
British Telecommunications	£1.25m	638p	1998	Ordinary
British Telecommunications	£1.25m	638p	1998	Ordinary

## RIGHTS OFFERS

Company	Issue Size	Issue Price	Issue Date	Issue Type
British Telecommunications	£1.25m	638p	1998	Ordinary
British Telecommunications	£1.25m	638p	1998	Ordinary
British Telecommunications	£1.25m	638p	1998	Ordinary
British Telecommunications	£1.25m	638p	1998	Ordinary

## FTSE GOLD MINES INDEX

Index	Value	Change	High	Low
FTSE Gold Mines Index	1200.00	+1.00	1201.00	1199.00
FTSE Gold Mines Index	1200.00	+1.00	1201.00	1199.00
FTSE Gold Mines Index	1200.00	+1.00	1201.00	1199.00
FTSE Gold Mines Index	1200.00	+1.00	1201.00	1199.00

## The UK Series

Series	Value	Change	High	Low
UK Series	100.00	+0.01	100.01	99.99
UK Series	100.00	+0.01	100.01	99.99
UK Series	100.00	+0.01	100.01	99.99
UK Series	100.00	+0.01	100.01	99.99

## TRADING VOLUME

Major Stocks	Trading Volume	Change	High	Low
Major Stocks	100.00	+0.01	100.01	99.99
Major Stocks	100.00	+0.01	100.01	99.99
Major Stocks	100.00	+0.01	100.01	99.99
Major Stocks	100.00	+0.01	100.01	99.99

## FTSE ACTUARIES SHARE INDICES

Index	Value	Change	High	Low
FTSE Actuaries Share Indices	100.00	+0.01	100.01	99.99
FTSE Actuaries Share Indices	100.00	+0.01	100.01	99.99
FTSE Actuaries Share Indices	100.00	+0.01	100.01	99.99
FTSE Actuaries Share Indices	100.00	+0.01	100.01	99.99

## Hourly movements

Index	Value	Change	High	Low
Hourly movements	100.00	+0.01	100.01	99.99
Hourly movements	100.00	+0.01	100.01	99.99
Hourly movements	100.00	+0.01	100.01	99.99
Hourly movements	100.00	+0.01	100.01	99.99

## FTSE ACTUARIES WORLD

Index	Value	Change	High	Low
FTSE Actuaries World	100.00	+0.01	100.01	99.99
FTSE Actuaries World	100.00	+0.01	100.01	99.99
FTSE Actuaries World	100.00	+0.01	100.01	99.99
FTSE Actuaries World	100.00	+0.01	100.01	99.99

## CREDITANSTALT London Branch

It is with great regret that Creditanstalt AG, London Branch announce that Bob Tompkins, our Deputy General Manager and Treasurer, passed away on Thursday, 9th April.

A Requiem Mass will be held at St. Mary's Church, Chislehurst, Kent at 1 p.m. on Friday, 17th April to which all are welcome.

Any floral tributes should be sent to:

Francis Chappell & Sons  
Funeral Directors  
465 Bromley Road  
Downham  
Bromley BR1 4PP

A Memorial Service will be held at a date yet to be advised.

**HongkongBank**  
The Hongkong and Shanghai Banking Corporation Limited  
(Incorporated in Hong Kong with limited liability)

**U.S. \$400,000,000**  
PRIMARY CAPITAL UNLIMITED FLOATING RATE NOTES  
(Series 1995-8)

Notice is hereby given that the Rate of Interest has been fixed at 5.875% and that the interest payable on the relevant interest Payment Date July 16, 1998, in respect of US\$5,000,000 nominal of the Notes will be US\$1,485.07.

4th Fl, 1988 London  
By: Citibank N.A. Corporate Agency & Trust Agent Bank

**CITIBANK**

**METRO**  
METRO FINANCE B.V.

Can\$ 100,000,000 Collateral Floating Rate Notes 1993/2003  
(issued under the DM 2 billion Multi-Currency Euro Medium Term Note Programme of METRO AG)

The Rate of Interest applicable to the Interest Period from April 15, 1998 to July 14, 1998 inclusive, was determined to be 6.5 per cent. Therefore, on July 15, 1998 interest per Note of Can\$ 1,000 principal amount at the amount of Can\$ 16.21 and interest per Note of Can\$ 10,000 principal amount at the amount of Can\$ 162.05 is due.

Frankfurt am Main, April 1998

**Dresdner Kleinwort Benson**  
Dresdner Bank AG (Incorporated in Germany)  
Calculation and Principal Paying Agent

**CMEC GE CAPITAL CHINA INDUSTRIAL HOLDINGS LIMITED**

Net Asset Value

CMEC GE Capital China Industrial Holdings Limited announces that as of 31st March, 1998, the unaudited consolidated net asset value per share of the Company was US \$1.012.

**CMEC GE Capital China Industrial Holdings Limited**  
(an exempted company incorporated with limited liability in the Cayman Islands)  
(14th April, 1998)

**LOTHBURY**  
Lothbury Funding No. 1 PLC

£144,000,000 Class A1 Notes £150,000,000 Class A2 Notes £6,000,000 Class B Notes

Mortgage Backed Floating Rate Notes due 2031

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 14th April 1998 to 14th July 1998, the Class A1 Notes, Class A2 Notes and Class B Notes will carry an interest rate of 7.75078%, 7.95078% and 8.75078% per annum respectively. The interest payable per £100,000 Note will be £160.47 for the Class A1 Notes, £159.12 for the Class A2 Notes and £2,085.80 for the Class B Notes.

**GREENWICH NATWEST**

**CHEVY CHASE MASTER CREDIT CARD TRUST II**  
U.S. \$138,000,000  
Class A Floating Rate Asset Backed Certificates, Series 1995-B

U.S. \$12,000,000  
Class B Floating Rate Asset Backed Certificates, Series 1995-B

Class A Interest Annual Rate Coupon Annual (USD)  
A 5.000% 5.000%  
B 5.000% 5.000%

Notice is hereby given that the Rate of Interest has been fixed at 5.875% and that the interest payable on the relevant interest Payment Date July 16, 1998, in respect of US\$5,000,000 nominal of the Notes will be US\$1,485.07.

4th Fl, 1988 London  
By: Citibank N.A. Corporate Agency & Trust Agent Bank

**CITIBANK**

**CHINA MERCHANTS**  
CHINA DIRECT INVESTMENTS LIMITED  
Net Asset Value

China Merchants China Direct Investments Limited announces that as at 31st March, 1998, the unaudited consolidated net asset value per share of the Company was US\$1.163.

**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**  
(Incorporated in Hong Kong with limited liability)  
15th April, 1998

**LOTHBURY**  
Lothbury Funding No. 1 PLC

£144,000,000 Class A1 Notes £150,000,000 Class A2 Notes £6,000,000 Class B Notes

Mortgage Backed Floating Rate Notes due 2031

Notice is hereby given that for the three month period 14th April 1998 to 14th July 1998, the Class A1 Notes, Class A2 Notes and Class B Notes will carry an interest rate of 7.75078%, 7.95078% and 8.75078% per annum respectively. The interest payable per £100,000 Note will be £160.47 for the Class A1 Notes, £159.12 for the Class A2 Notes and £2,085.80 for the Class B Notes.

**GREENWICH NATWEST**

دكتور احمد الجليل

## WORLD STOCK MARKETS

## WORLD STOCK MARKETS

<http://www.rockwell.com>

## Emerging markets

### IFC investable indices

COUNTRY AND CITY	TUESDAY, APRIL 14, 1988				WEDNESDAY, APRIL 15, 1988				THURSDAY, APRIL 16, 1988				FRIDAY, APRIL 17, 1988				SATURDAY, APRIL 18, 1988				SUNDAY, APRIL 19, 1988				
	US Dollar Index	Day's Change %	Year to Date	Local Currency	US Dollar Index	Day's Change %	Year to Date	Local Currency	US Dollar Index	Day's Change %	Year to Date	Local Currency	US Dollar Index	Day's Change %	Year to Date	Local Currency	US Dollar Index	Day's Change %	Year to Date	Local Currency	US Dollar Index	Day's Change %	Year to Date	Local Currency	
ALGERIA (DZ)	214.07	0.2	189.23	77.65	201.90	0.1	189.23	77.65	201.90	0.1	189.23	77.65	201.90	0.1	189.23	77.65	201.90	0.1	189.23	77.65	201.90	0.1	189.23	77.65	201.90
ARGENTINA (AR)	214.07	1.1	197.25	161.00	201.90	1.1	197.25	161.00	201.90	1.1	197.25	161.00	201.90	1.1	197.25	161.00	201.90	1.1	197.25	161.00	201.90	1.1	197.25	161.00	201.90
AUSTRALIA (AU)	214.07	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90
BELGIUM (BE)	214.07	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90
BRAZIL (BR)	214.07	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90
CANADA (CA)	214.07	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90
CHINA (CN)	214.07	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90
FRANCE (FR)	214.07	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90
GERMANY (DE)	214.07	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90
HONG KONG (HK)	214.07	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90
INDONESIA (ID)	214.07	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90
ITALY (IT)	214.07	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90	0.1	197.25	161.00	201.90
JAPAN (JP)	214.07	0.1	19																						

## 4 pm close April 15

[illegible]

مكتبة من الاصل

هكذا من الاصل

**FISE Emerging 2000**

7/97 8/97 9/97 10/97 11/97 12/97

5000 4800 5000 5200 5400 5600

100% 95% 100% 105% 110% 115%

7/97 8/97 9/97 10/97 11/97 12/97

100% 95% 100% 105% 110% 115%

[illegible]

## THE NASDAQ STOCK MARKET

AMERICAN STOCK MARKET									
Stock	High	Low	Open	Close	Change	Volume	High	Low	Open
AMER. TEL. & TEL.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SUGAR	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. CUPRUM	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. COPPER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. ALUM.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. ZINC	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. LEAD	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SILVER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. GOLD	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. IRON	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. STEEL	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. CEMENT	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. LUMBER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. PAPER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. TEXTILE	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. FOOD	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. DRUG	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. CHEM.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. ELECT.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. MACH.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. AUTO	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. TRUCK	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. RAIL	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. AIR	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SHIP	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. MAR.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. OIL	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. COAL	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. WOOD	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. RUBBER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. GLASS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. CERAM.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. FIBER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. LEATHER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. FUR	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. JEWEL	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. OPTIC	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. TOBAC.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. BEER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. WINE	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SODA	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. ICE	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. HOTELS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. AIRLINES	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SHIPING	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. MAR. INV.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. OIL & GAS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. COAL & IRON	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. WOOD & PAPER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. RUBBER & GLASS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. FIBER & LEATHER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. FUR & JEWEL	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. OPTIC & TOBAC.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. BEER & WINE	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SODA & ICE	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. HOTELS & AIRLINES	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SHIPING & MAR. INV.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. OIL & GAS & COAL	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. WOOD & PAPER & RUBBER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. GLASS & FIBER & LEATHER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. FUR & JEWEL & OPTIC	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. TOBAC. & BEER & WINE	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SODA & ICE & HOTELS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. AIRLINES & SHIPING	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. MAR. INV. & OIL & GAS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. COAL & IRON & WOOD	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. PAPER & RUBBER & GLASS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. FIBER & LEATHER & FUR	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. JEWEL & OPTIC & TOBAC.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. BEER & WINE & SODA	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. ICE & HOTELS & AIRLINES	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SHIPING & MAR. INV. & OIL	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. GAS & COAL & IRON	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. WOOD & PAPER & RUBBER & GLASS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. FIBER & LEATHER & FUR & JEWEL	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. OPTIC & TOBAC. & BEER & WINE	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SODA & ICE & HOTELS & AIRLINES	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SHIPING & MAR. INV. & OIL & GAS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. COAL & IRON & WOOD & PAPER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. PAPER & RUBBER & GLASS & FIBER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. LEATHER & FUR & JEWEL & OPTIC	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. TOBAC. & BEER & WINE & SODA	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. ICE & HOTELS & AIRLINES & SHIPING	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. MAR. INV. & OIL & GAS & COAL	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. IRON & WOOD & PAPER & RUBBER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. GLASS & FIBER & LEATHER & FUR	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. JEWEL & OPTIC & TOBAC. & BEER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. WINE & SODA & ICE & HOTELS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. AIRLINES & SHIPING & MAR. INV.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. OIL & GAS & COAL & IRON	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. WOOD & PAPER & RUBBER & GLASS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. FIBER & LEATHER & FUR & JEWEL	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. OPTIC & TOBAC. & BEER & WINE	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SODA & ICE & HOTELS & AIRLINES	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. SHIPING & MAR. INV. & OIL & GAS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. COAL & IRON & WOOD & PAPER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. PAPER & RUBBER & GLASS & FIBER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. LEATHER & FUR & JEWEL & OPTIC	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. TOBAC. & BEER & WINE & SODA	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. ICE & HOTELS & AIRLINES & SHIPING	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. MAR. INV. & OIL & GAS & COAL	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. IRON & WOOD & PAPER & RUBBER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. GLASS & FIBER & LEATHER & FUR	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. JEWEL & OPTIC & TOBAC. & BEER	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. WINE & SODA & ICE & HOTELS	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2	99 1/2	100 1/2
AMER. AIRLINES & SHIPING & MAR. INV.	100 1/2	99 1/2	100 1/2	99 1/2	-1	100	100 1/2		

## EASDAC

[illegible]



MARKET FOCUS

ie roots but  
erent routes

FINANCIAL TIMES REVIEW



**LIGHTING UP TIME**  
Europe's electricity  
market opens up  
pages 1-5



**IT'S A DIRTY JOB**  
Polluters may pay in  
pursuit of Kyoto targets  
page 6



**CASPIAN BLACK SEA**  
Focus on a region  
emerging from war  
page 8



**GAS IMPLSION**  
As Asia crumbles,  
LNG looks elsewhere  
pages 10 & 11

# WORLD ENERGY

Thursday April 16 1998

Europe is poised to flick the switch on electricity liberalisation but, reports Andrew Taylor, it may be some time before power filters through to the customer

## Lights go on across Europe

A new light dawns for European Union electricity generators, suppliers and customers on February 19, 1998, when power markets in 12 EU countries are due to open for competition.

Member countries, under an EU directive signed in December 1996, must open at least 25 per cent of their electricity supply market to competition, rising to at least 33 per cent by 2003.

Only Belgium and Ireland have been allowed to delay implementing the directive for a year and Greece by two years.

Commission officials say the directive will lead to lower power prices for industrial and commercial companies cutting production costs and enabling them to compete more effectively in export markets.

But the measures will only benefit large customers. Domestic consumers will have to wait for some years yet before they will be able to choose a new supplier. A Europe-wide electricity market appears even further away.

There are also concerns that some governments will move faster than others in opening up the national markets to competition. This could result in an unfair competition with some companies allowed to operate in other EU countries while still largely protected in their home market.

The directive permits individual governments a great deal of latitude on how they introduce competition; the wording representing a compromise between countries, such as Germany and Britain, which wanted greater competition and those, such as France, which sought to protect the position of powerful monopolies.

The directive offers two routes to wider competition: • Negotiated third party access would allow customers to buy electricity freely from domestic or foreign generators. A fee is paid to the distribution network for carrying the electricity.

• A single buyer system would be more restrictive. It permits a designated national electricity buyer to

retain control of the national grid and its own generating capacity as well as acting as an intermediate in contracts between independent generators and suppliers.

In the latter scenario, critics argue that a single buyer, such as Electricite de France, would learn the prices charged by competitors and undercut them.

EC officials insist such fears are groundless. They stress that large industrial and commercial purchasers would still be able to negotiate directly with independent generators.

The enforced separation of commonly owned transmission and supply operations, under separate management with separate accounts, also would ensure transparency and fairness of treatment, says the Commission. In cases of abuse, it would have the power to force recalcitrant states to open their markets.

Another potential obstacle to wider competition is "public service clauses". These allow governments to protect domestic power markets



if the introduction of greater competition can be shown to conflict with environmental needs or pose a threat to security of supply.

Transitional arrangements proposed to protect German and Spanish coal markets would permit the state to

provide incentives to coal burning generators. Britain, similarly is considering measures to protect what is left of its coal industry.

Consumer groups and environmentalists are concerned that arrangements to protect coal could lead to

dirty and more expensive power generation.

British officials are just as concerned about developing fair competition. They have complained to the European Commission about the level of state aid paid to German and Spanish coal producers

which they say is undercutting prices and inhibiting British exports.

The different country approaches to implementing the directive will lead to a multi-track European electricity market according to Simon Allen world energy

partner at accountants Price Waterhouse. "Our research has found that more than half the utility executives across Europe, and particularly in the Netherlands, Italy, Germany, Ireland and Austria, believe that competition will be strong for large customers," he says.

Liberalised markets, such as Britain and Scandinavia, will offer greater competition while in countries such as France the state controlled EDF will continue to dominate the market.

Most customers, outside the UK, will continue to be supplied by their state owned national, regional or municipal suppliers which will continue to control distribution networks.

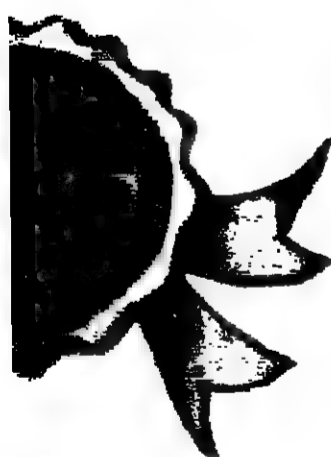
As an interim measure, Germany is allowing its hundreds of municipally controlled local monopoly distributors to adopt single buyer status in a move which will make it difficult for competitors to break into these local markets.

But, the directive has opened a doorway to competition that can only get wider, according to Bob Turgoose, specialist on liberalising energy markets at Price Waterhouse. "Pressures from eligible customers may prove more powerful than the reluctance to embrace rapid liberalisation that characterises many governments and utilities," he says.

Air Turgoose expects multinational companies to use their purchasing power to negotiate agreements covering all of their European operations. Utilities, as a result, "will have to become international suppliers if they are not to lose the

Continued on Page 2

el  
te!



We bring energy to life.

Locked away beneath the surface of the Earth, there is an abundant supply of clean, efficient energy.

That energy is natural gas.

It is our business at BG to harness that energy, and release its potential.

We discover and explore the natural gas fields. We produce the gas. We store it. We transport it. And we pipe it to homes and businesses.

We're exporting our skills and forming international partnerships.

And all the time we're doing one of the most vital, and one of the most satisfying jobs in the world.

Bringing energy to life.

BG  
to life

www.BGpic.com

# Electricity: deregulation

UK • by Andrew Taylor

## No tightening of reins of power

The first of three reviews has left the way open for further liberalisation

One down, two to go. The first of three crucial reviews, expected to reshape competition in the UK electricity market, has been published without imposing restrictions which would inhibit further liberalisation.

Instead, the government's consultation paper on reforming utility regulation, is expected to stimulate a new round of takeover activity as electricity supply companies and others seek to consolidate their position in the sector.

Still looming are separate reviews of the country's fuel and electricity pricing policies, the outcomes of which will have a critical bearing on the role of the country's largest generators.

The Department of Trade and Industry and Professor Stephen Littlechild, the industry regulator, are investigating the operation of the wholesale electricity market in England and Wales.

Large industrial and commercial customers claim that the operation of the "pool" unfairly favours the two biggest generators, National Power and PowerGen.

Government, meanwhile, is considering whether a coal quota should be imposed on generators, to protect British mining jobs and prevent over-dependence on natural gas as a power station fuel.

The outcome of both of these reviews will be particularly important to National Power and PowerGen, which have a combined 40 per cent of the generating market

and are the two heaviest coal burners.

A moratorium has been imposed on the construction of further gas fired power stations, favoured by smaller independent producers, until the fuel review is completed later this spring. They claim that a coal quota would unfairly restrict competition.

One potential hurdle to competition, however, has been cleared. The government's consultation paper on reforming utility regulation, published last month, contained few proposals to

alarm generators or suppliers.

Most importantly, the current retail pricing mechanism of RPI minus X - with X determined by the industry regulator - is likely to remain in place. Proposals to prevent companies from making "excessive profits" by imposing a profits cap were watered down following opposition from the Treasury.

The paper, in the event, urged utility regulators to develop mechanisms to share excess profits when companies had "deliberately misled the regulator by providing incomplete or inaccurate information".

The companies also might have to share big profit increases with consumers when they have benefited from factors outside their control, such as sharply falling fuel prices, says Margaret Beckett, industry secretary.

City analysts describe the proposals as "limp" and the "dog that didn't bark". They point out that most of the profit controlling mechanisms proposed by the green paper are already available to regulators.

The green paper proposes refinements to the current regulatory structure but little significant change,

says Nick Pink, utilities analyst with SBC Warburg Dillon Read.

The most radical proposal, says Pink, is to separate the supply and distribution elements of electricity licences which will encourage a new round of takeovers and joint ventures as companies seek to strengthen their position in the market.

Mark Spellman, global head of strategy for utilities at Andersen Consulting, believes the separation of distribution businesses - operating the wires - from the buying of and selling of electricity to customers will allow companies to unbundled and sell unwanted parts of their operations.

Several US owners of UK electricity companies, angered by last year's government decision to impose a windfall tax and disenchanted by the low margins on electricity supply, are understood to be considering selling this side of their operations.

Top of the sellers' list is thought to be the Atlanta-based Southern group which is reported to be willing to dispose of all, or part, of South West Electricity for which it paid £1.1bn in 1995.

Spellman envisages the electricity industry reshaping around three distinct groups with some companies appearing in different sectors of the market.

● The supply market is likely to consolidate around three or four large companies, each with about 4m-5m customers selling a range of utility services including gas and water. This list is likely to include Eastern, United Utilities, Scottish Power and British Gas.

● A second grouping would include companies such as Hyder, Powergen and National Power which would seek to sell their design and

engineering skills in utility sectors in the UK and overseas.

● The third grouping would include vertically integrated operators involved in generation, distribution and supply, such as Powergen and Eastern.

Gilbert Toppin, head of the utilities practice at Deloitte Consulting, says the move towards "multi-utilities" is already well established as increased use of gas as a fuel "has started a convergence of the electricity and gas markets".

The opening of industrial and domestic gas markets to competition has allowed electricity companies to start selling gas. Eastern Electricity has been particularly aggressive and is now the country's second largest seller of gas to the domestic market, behind British Gas.

With almost 19m customers, Centrica, which trades as British Gas, is another large group seeking to expand its product range. It has signed up more than 15,000 potential electricity customers.

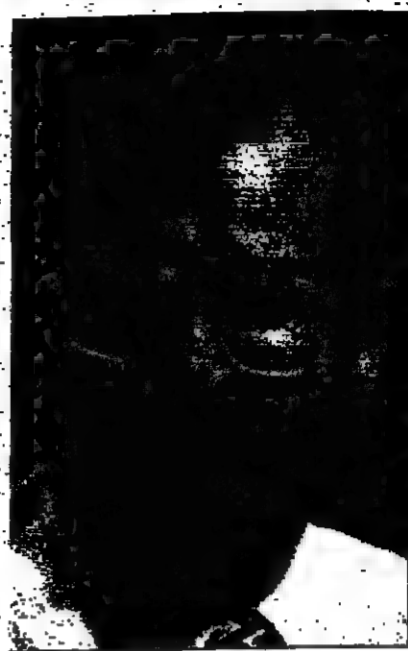


### Battling for the utilities

Electricity company takeovers and bids

Utility	Owner	Share	Price (£)
1. Scottish Hydro Electric			
2. Scottish Power			
3. Npower	North West Water	100%	1.5bn
4. Mersey	Merged company between United Utilities and Scottish Power	24.9%	1.5bn
5. Swale	Welsh Water	100%	875m
6. South	Merged company between Hyder and Southern Electricity	50%	1.1bn
7. Southern Electricity	Central & South West Corp	100%	1.5bn
8. London Electricity	Energy	100%	1.5bn
9. Eastern Electricity	Energy	100%	2.5bn
10. Southern Electricity Group	Government (via British Gas)	100%	2.5bn
11. Northern Electricity	Government (via British Gas)	100%	1.75bn
12. East Midlands Electricity	Government (via British Gas)	100%	1.2bn
13. Yorkshire Electricity	American Electric Power and New Country Energy	100%	1.5bn
14. Northern Electricity	Government	100%	750m

John Battle, energy and industry minister



"Some regional electricity companies have taken the convergence of gas and electricity supply one stage further by merging with water operators," says Toppin.

Norweb has joined forces with North West Water to create United Utilities; Hyder was created by merging Welsh Water and Swale; Scottish Power, the Scottish electricity and gas supplier, also owns Manweb the

Cheshire and north Wales electricity supplier and Southern Water.

Size, says Ed Wallis, chairman of PowerGen, is important: "If companies want to be considered for large international projects, they must have big healthy balance sheets."

The generator, one of the first independent power producers in India, has made no secret of its desire to purchase a regional electricity

distribution and supply company, as soon as it is allowed by British authorities.

British retailers and financial services companies have also been showing interest in the large customer supply bases of electricity, gas and water utilities.

The Automobile Association last year formed a marketing alliance with Scottish Power while Tesco recently

announced a deal with Npower to give loyalty card points for gas payments.

J Sainsbury, the supermarket group, and the financial services arms of Virgin and Halifax are also thought to be interested in forming marketing alliances with utilities.

Bankers and lawyers must be licking their lips at the prospect of yet more large fees.

SUPPLY • by Andrew Taylor

## Faulty connection

Some 25m domestic users are still waiting for freedom of choice

Plans for the UK electricity market to open to competition this April for the country's 25m domestic customers have "hit-teething problems and have been put back until September."

The five month delay reflects difficulties in developing the sophisticated computer software needed for customers to switch easily between suppliers.

Company computers need to talk to each other if confusion is not to reign. Electricity companies losing customers will want to make sure that outstanding bills have been paid while customers need to have meters read to ensure that they are not over-paying their old supplier or their new one.

There has been criticism that electricity companies have not sought a common approach but have tried to develop individual software solutions. There are also suspicions of foot-dragging.

Gas suppliers, who are already competing with electricity companies for domestic gas contracts, are particularly angered by the delay.

Roy Gardner, chief executive of Centrica, the industry's biggest supplier which trades as British Gas, says: "Nobody who has participated in this issue has emerged with any credit. The performance of the regional electricity companies is nothing short of disgraceful."

Some 5,000 of Britain's largest companies, using more than 1 megawatt of electricity a year, have been able to choose their supplier since 1990. Another 50,000 using 100 kilowatts a year have had the same freedom since 1994.

The final phase of opening up the market for domestic customers is due to be completed by June next year and by next March for small businesses.

All domestic gas customers will be able to choose their supplier by the end of next month.

The introduction of competition for domestic users, however, has not been without its problems.

The Gas Consumer Council reported an "unprecedented" surge in complaints in January from customers "encountering problems during the process of changing their gas supplier".

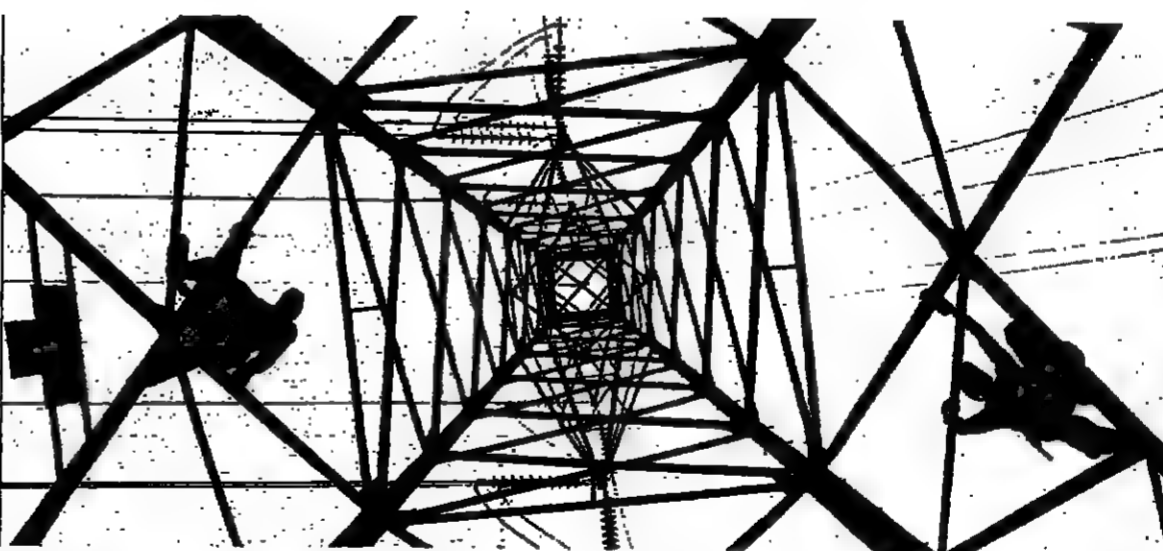
They included grievances over delays in opening and closing accounts, unauthorised transfers from old suppliers and unethical sales techniques.

John Battle, energy minister, warns that he will consider taking action if industry regulators fail to control the doorstep selling methods

of gas and electricity suppliers. "I do not want to see in electricity a repeat of the marketing problems in the domestic gas market. Abuses will not be tolerated," he says.

Ofgas, the gas industry regulator, has so far investigated two electricity supply companies - Eastern and Northern Electricity - following complaints over doorstep selling practices.

Competition will remain fierce as former monopoly gas and electricity companies battle for market share. New software systems also will take time to bed-in. Most analysts expect electricity and gas markets to settle around three or four large companies each supplying about 4m-5m customers with a range of utility services. In the meantime consumers can expect a lot of excitement and confusion as they seek to cut bills by playing one supplier off against another.



Power to the people: deregulation should bring increased choice to all consumers

## Lights go on across Europe

Continued from Page 1  
large customers in their home territories", he reasons.

Big electricity companies, such as EDF in France, Imatran Voima (IVO) of Finland, Vattenfall of Sweden, RWE of Germany, PowerGen of the UK, Electrabel of Belgium and Endesa of Spain, are looking to spread their wings abroad, in the EU and in other countries.

EDF recently set the Austrian dovetails after when it purchased a 25 per cent stake in Energie Steiermark (Estag) from the province of Steiermark. A second province's plans to privatise its electricity company were subsequently suspended.

Edf's European investments also include a 29 per cent stake in a combined cycle gas plant, Puertollano, in central Spain in partnership with Endesa and Iberdrola the Spanish utilities.

RWE, the Frankfurt-based utility is currently favourite to take a 4.5 per cent stake

in EDP the Portuguese state controlled electricity company.

Another potential European predator is Tractebel, the Belgian group which owns 28 per cent of Electrabel, the country's largest electricity producer.

Tractebel, which controls more than 11,000 MW of capacity in 16 countries outside Belgium, almost as much as Electrabel owns inside Belgium, would like to merge with Electrabel.

Tractebel itself is controlled by Suez-Lyonnais of France and a deal with Electrabel would mean diluting the Suez-Lyonnais stake to less than 50 per cent.

Governments in countries such as Austria and the Netherlands are fearful of a foreign invasion into local power markets.

Ivo of Finland and Vattenfall of Sweden have been very active with two recently increasing its controlling interest in the Swedish utility Gullspångskraft.

IVO was recently chosen by the Irish government to build the first independently operated power station in that country.

Large groups, such as IVO, encouraged by governments, are looking to create multi-utilities by merging with other oil and gas groups, leaving them with powerful balance sheets to pursue interests abroad.

IVO, supported by Finland's trade and industry ministry, is planning to merge its power generation activities with Neste, the Finnish oil and petrochemicals group.

Italian authorities are looking at ways in which Enel the state electricity company and ENI the state-controlled oil and gas conglomerate might collaborate.

Enron, the US energy group and a growing independent power producer in European markets, is one of several US groups which have formed joint ventures with Enel as the Italian mar-

ket tentatively begins to open to competition.

But liberalisation may be impeded by authorities already nervous at the prospect of foreign takeovers of their power industry.

The Netherlands, for example, has proposed a plan to merge the country's four biggest electricity producers - EPON, EPZ, EZH and UNA - into a single, large company Grootchalig Productie Bedrijf (GBP), to compete with larger French, Belgian and German rivals.

Governments in Austria and Denmark have not been above placing obstacles in the way of foreign investment in local power producers.

Pressure on public sector finances, however, means that the move towards greater privatisation and competition, although it may be fragmented and slow at first, is likely to gain momentum. The larger generators are already jockeying to improve their position.

FT

FINANCIAL TIMES  
Energy

## The world of energy information at your fingertips

In the increasingly competitive world of energy the need for reliable information is greater than ever. Over the past 20 years FT Energy has become recognised as the foremost provider of information to the international energy industries. Our reputation for accurate, comprehensive reporting and informed comment is second to none.

FT Energy produces a wide range of high value, top quality newsletters, management reports and directories serving all sectors of the energy industry, including:

- Power
- Oil and Gas
- Coal and Mining
- Nuclear
- Renewables
- Environment

Each publication is written and edited by an acknowledged expert in their field and draws on a network of international correspondents and often exclusive sources to provide news, comment and analysis not available elsewhere.

For further information on FT Energy's publications please complete this form and return it to one of the offices below:

Company:

Position/Title:

Address:

Post/zip code:

Telephone:

FT Energy  
Maple House  
149 Tottenham Court Road  
London W1P 9LL  
UK  
Tel: +44 (0) 171 896 2070  
Fax: +44 (0) 171 896 2273

FT Energy  
1330 Pearl Street  
Suite 300  
Boulder CO 80302  
USA  
Tel: +303 444 7788  
Fax: +303 444 1286

FT Energy Asia Pacific  
159 Telok Ayer Street  
Singapore 06814  
Tel: +65 323 6373  
Fax: +65 323 4725

21238A

Data Protection Act: The information you provide will be held by us and may be used to keep you informed of FT and Pearson Professional Products and may be used to select relevant products for you. Registered Office: Financial Times Business Ltd, Maple House, 149 Tottenham Court Road, London W1P 9LL, England. Registered No 202281 VAT Registration No GB 278 537 121.

Web address: [www.ftenergy.com](http://www.ftenergy.com)

مكتبة مصر

## Electricity: fuel

NUCLEAR • by Stefan Wagstyl

# Enduring power of survival

The need to meet emissions targets may see the industry rehabilitated

Some 17 years after a referendum vote to abandon nuclear power, the Swedish government has ordered the closure, in July, of the first of its 12 reactors. But, even at this late stage, there are complications. Sydkraft, the power company which operates the reactor, has appealed to Brussels arguing that the closure order flouts European Union competition law by giving unfair advantage to Vattenfall, the state-owned power generator.

The argument highlights the difficulties in implementing policy changes in the EU in the sensitive field of nuclear power. The opposing forces of the supporters and opponents of nuclear energy are ranged against each other in attitudes of mutual suspicion. Just as the indus-

try finds it almost impossible to advance by building new reactors, so its critics have an equally hard time reversing past developments. An uneasy status quo persists.

Sweden is a special case. In the industry's heyday in the 1960s and 1970s, the country was among the most enthusiastic proponents of nuclear energy and allowed the industry to expand to the point where it supplies fully 50 per cent of its electricity.

But the very strength of the pro-nuclear lobby generated a powerful counterforce which resulted in the 1980 referendum. And, six years before the Chernobyl fire, Sweden voted to abandon nuclear power by 2010.

And the arguments which rage in Sweden are familiar in most European countries with the protests the industry generated reaching a crescendo in the aftermath of Chernobyl.

Opposition is less vocal in the 1990s than it was in the

1980s. Nuclear generators in France and the UK have even dared to put their heads above the parapets with television advertisements promoting nuclear power. Equipment manufacturers - notably Siemens in Germany and Framatome in France - have talked a little more publicly than before about a new generation reactor - the European pressurised water reactor (EPR) - planned to come on stream when existing plants become too old to run.

Nevertheless, anti-nuclear lobby groups watch the industry like hawks. For example, in the UK the government has been unable to settle upon a permanent solution for the disposal of nuclear waste at the processing plant run at Sellafield by British Nuclear Fuels, the state-owned fuel and waste processor. In Germany, protesters seek to block rail transports of nuclear fuel. In France, the public's traditional faith in the quality of French nuclear power has

been disturbed by a controversial report, published in the British Medical Journal last year, suggesting that children who visited beaches near the vast fuel processing plant at La Hague, near Cherbourg, northern France, were more likely to develop leukaemia than those who did not. The report's findings are disputed, not least by the industry, but the damage to public confidence has been done.

Notwithstanding Sweden's efforts to close reactors, the industry is too big to be wished away, as some of its critics would want. About 140 reactors produce about a third of the EU's electricity. It employs about 400,000 workers, many highly skilled and well paid.

However, the industry can only hope to grow significantly from this base with a shift in public sentiment on a scale which, today, seems unlikely but is not entirely unimaginable.

Firstly, as existing plants age, the industry will face

choices between closures and modernisations. The industry's critics might well prefer closures but, in some cases, they might be persuaded that modernisation, including the latest monitoring and safety equipment, could be a better option than confronting the environmental challenges of decommissioning.

Plants built in the 1960s are already approaching the end of their working lives, although these can be extended through refits. But the issue will become increasingly urgent in the years 2005-2015 when reactors built in the peak years of the 1970s and early 1980s are due to reach the end of their design lives.

The second current running in the industry's favour is, paradoxically, concern about the environment. The pressure to reduce carbon dioxide emissions out of fear about global warming is pushing governments to seek alternatives to burning fossil fuels. But few of the



Long future: disliked, mistrusted and much-needed, nuclear power will not fade away

more environmentally-friendly technologies - such as solar or wind power - have yet demonstrated they can make anything more than a marginal contribution.

Nuclear power produces very toxic wastes but no CO<sub>2</sub> emissions. The European Commission calculates that existing nuclear plants avoid the emission of 700m tonnes a year of CO<sub>2</sub>, which would be produced if the same electricity were generated using the mix of fossil fuels currently employed.

The EU has set a target of a 15 per cent reduction in greenhouse gas emissions from 1990 levels by 2010. It has not specified how the targets could be reached let alone detailed the role which nuclear power might play. However, it is hard to envisage how the targets could be reached without preserving, if not enhancing, nuclear energy output.

With the British Labour government and the Socialists in France both claiming to be more "green" than their predecessors they are

unlikely to become ardent nuclear enthusiasts. If the opposition Social Democratic Party wins the elections due in Germany later this year, they, too, are expected to have a greener hue than the current administration. The SPD has, in the past, committed itself to a phased abolition of nuclear power.

So, even if the nuclear industry has a stronger case for its future development than 10 years ago, the political climate in which it must make that case is no easier than before.

COAL • by Andrew Taylor

## Treading warily in the mines field

Governments are digging in in a Europe-wide battle over subsidies

Britain is talking tough on coal. Ministers say they are considering blocking subsidised continental European imports as part of a package of measures to protect what is left of the country's mining industry.

They fear that efforts to establish a core market for British coal among domestic electricity generators could be neutralised if imports from heavily protected continental producers are sucked in instead.

British coal industry officials have warned that as many as seven pits, and 5000 jobs, could be lost when concessionary coal contracts negotiated with domestic generators end in July.

Geoffrey Robinson, the paymaster general, is considering a range of options, to assist the industry to replace these orders. A moratorium has been imposed on construction of gas-fired power stations while government conducts a review of fuel policy.

Possible solutions include imposing a coal quota on electricity generators, restricting permits for new gas-fired power stations or limiting further open-cast coal mining.

More likely is that government will seek to provide a "base-load" market for the UK as part of a review of the country's complex wholesale electricity trading arrangements, known as the pool.

The degree and type of assistance being considered may be different but the British government, like its German and Spanish counterparts, seems likely to provide some form of support for a politically sensitive, deep-mined coal industry in long-term decline.

Deep mines, where coal is difficult to extract, compete against natural gas and nuclear power generation but also with the large open-cast coal exporters, such as the US, Australia, Indonesia and Colombia. Environmental pressures also threaten high sulphur content coals, such as in the UK.

British hacks, however, have been raised by the scale of the measures taken by European governments to protect their mining industries which John Battle, energy minister, blames for blocking British exports.

"British mines, whose production costs can be one third of continental European costs, face closure due to a lack of markets while heavily subsidised mines, particularly in Germany and Spain, continue to operate," he says.

Britain has lodged a formal complaint against the state assistance given to the Spanish mines with the European Commission and is now setting its sights on German subsidies expected

to amount to more than £3bn this year.

It has also written to the Commission raising British concerns about the financial arrangements of the planned merger between Ruhrkohle Berghen, Saarbergwerke and Preussag Anthrazit which will create a single German coal mining company, Deutsche Steinkohle.

Questions surround the transparency of accounts in the new coal giant and the potential difficulty of trading state aid, as well as fears over the economic weight of the merged enterprise.

Officials want to ensure there is no illegal subsidy in the symbolic 1 Deutsche-mark price Ruhrkohle is paying for the Saarbergwerke assets, owned jointly by the federal government and the region of Saarland.

Gunter Rexrodt, German Economics Minister, dismisses the British protests. "The British government is apparently reluctant to award new subsidies. But it cannot expect German tax payers to save British jobs at the expense of German ones," he says.

"The real reason for the British coal industry's problems is that the privatised coal sector cannot even compete in its own market against gas and imported coal."

Attempts by authorities to reduce state aid have proved to be problematic. Helmut Kohl, the German Chancellor, was forced last year to modify plans to phase out subsidies by 2005 after miners from the Ruhr and Saar coal belts laid siege to Bonn's government quarter.

The extent of cuts in the earlier years of the programme were substantially reduced with the result that subsidies of DM9.25bn (£3.05bn) this year will fall only to DM8.5bn by the turn of the century.

Gerhard Neip, president of the German Coal Mining Association and chairman of Ruhrkohle, says reduced subsidies will lead to substantial job losses as pits are forced to close. The industry has estimated that its workforce will fall from current levels of 76,000 to about 32,000 by 2002.

Job losses will also take place in Spain where a revised plan to cut output at the state-owned Huesca and Minas de Figaredo companies was only agreed in January after a violent one-month strike in the northern Asturias coalfield.

The proposals call for a reduction in employees from 9,800 to 6,500 by 2001. The government originally set a target of 7,000, which the EC demanded be lowered to 6,000.

Annual coal production is to be lowered to not more than 1.8m tonnes compared with current output of 2.5m tonnes and an original Spanish target of 2.1m tonnes. The EC has insisted output be cut to 1.5m tonnes. The problems of what to do about coal, as the British are finding, will not go away.



In 1897, innovative thinking led to the design of a new swing bridge at Sutton Bridge, England. Today, that same kind of thinking is moving the community forward. Together with the local authority, we're building a power plant as well as providing for access roads and utility systems to help attract other businesses. Which means future generations can look forward to a steady supply of both electricity and jobs. What's on your energy wish list? (44) 171-316-5300, [www.enron.com](http://www.enron.com).

Natural gas. Electricity. Endless possibilities.

tion



Europe

# Electricity: European Union

RENEWABLES • by Michael Peel

## The courage to leap into the light

Political will is needed to match action to fine words across Europe

State-of-the-art hardware sits incongruously with the uncertainty of the desert at the renewable energy development centre in Tenerife. The sand, cally which serves as a demonstration area is littered with disorienting mirrors, gleaming silver solar dishes and wind turbines resembling space capsules.

This village of technology in the wilderness represents well the position of renewable energy in Europe. Less than 6 per cent of the energy consumed in the European Union is generated from sustainable sources. And most governments have given little financial or legislative encouragement to the development of renewable methods of energy generation.

Politicians, who think of renewables as a risky investment and a marginal source of energy, are unlikely to change their minds as Europe's electricity markets open to competition next year.

Although many governments acknowledge that investment in renewable energy can bring long-term economic, social and environmental benefits, deregulation obliges companies to concentrate on cost-cutting rather than planning the development of alternative methods of power generation.

There are signs in the UK that this process has already begun. A recent Financial Times survey revealed that only two of the 14 regional electricity distribution companies offered special prices for electricity generated from renewable sources.

The corporate policy contrasts with the attitude of the European parliament, which last year set out a strategy to double renewable energy usage by 2010 via an increase in total energy investment of 30 per cent, or Ecu74.1bn.

The European Commission sees renewable energy as an essential part of Europe's effort to achieve the reductions in greenhouse gas emissions agreed at the climate conference in Kyoto in December.

The parliament envisaged a sixteenfold increase in the use of wind power, a hundredfold increase in the use of photovoltaics, a threefold increase in the use of biomass and a fifteenfold increase in installed solar collectors. It predicted that doubling the share of energy from renewables could lead to the creation of an Ecu17bn export business by 2010 and to the net creation of at least 500,000 jobs over the same period.

But there is no sign that Europe's energy companies are taking particular interest in the plan. The parliament's target is not legally binding and there is little incentive for the companies to think seriously about their renewable energy strategies.

Eufores, a lobby group for renewable energy, was unable to attract a single power producer or distributor to its conference in the Canary Islands in January. Without them, as Carlos Robles Piquer, president of Eufores, conceded: "We are preaching the gospel to people who already believe in the gospel."

Mr Robles Piquer's biblical analogy is appropriate, for the widespread adoption of renewable energy requires a leap of faith which politicians across Europe do not appear prepared to make.

The predicted benefits of renewables, however appealing, are all based on computer models and estimates. As John Gummer, former UK environment secretary, puts it: "It is an area that is moving very quickly and one in which governments can lose a lot of money if they go about it in the wrong way."

Not all countries are as cautious as the UK, which generates a mere 0.7 per cent of its energy from renewables. Sweden obtains more than a quarter of its energy from sustainable sources.

But it is not only political unwillingness that has stilled the development of sustainable methods of energy generation in the UK and other northern European countries. They have fewer natural sources of renewable energy - southern Europe enjoys more sun and the Scandinavian countries can harness geothermal energy.

Densely populated countries, such as the UK, are also less suited to other important methods of renewable energy generation. The latest low-noise wind turbines still hum loudly enough to annoy anyone living in the vicinity. Wind farms, like hydroelectric power stations, are unwelcome visual additions to undeveloped areas.

But these effects could be mitigated. Wind farms could be built offshore. Hydroelectric power schemes could be switched from rivers towards wave power projects in barren coastal areas.

But these environmental concerns are trivial compared with the pressing need to lower the cost of renewable energy generation.

An EU-funded study estimated the following average costs for electricity generated by renewable methods: photovoltaic (PV) 32.50 Ecu cents per kWh; hydroelectric



Wind: Europe's renewable sector is not growing as it might

8.25; geothermal 7.00; wind energy 5.75; biomass 6.50. Those rates compare with a minimum cost of about 4.5 Ecu cents per kWh for conventional power production.

The costs of generating power via PV, wind and biomass have decreased significantly in recent years. The parliament envisages that the cost could be lowered still further by increasing use of renewable energy, due to the development of economies of scale.

There are mechanisms which could allow this to happen even in the context of the deregulated electricity market. Rolf Linkohr, a speaker at the Eufores conference, said private investors could pay into an EU-wide renewable energy fund and receive a premium for the electricity produced using sustainable methods. The investment would lower

production costs and could be targeted at countries where renewable energy was most expensive.

But Mr Linkohr acknowledged that his idea would be opposed by power generators eager to protect their market share from the threat of renewable energy producers. As several delegates to the Eufores conference pointed out, the countries which have made the greatest progress on renewable energy have never had influential coal or nuclear power industries.

Until national governments confront these vested interests and make policies to support their fine words about the need for renewable energy, the pressure to deliver power at the lowest possible cost seems likely to exclude all other considerations. Renewable energy will remain an insignificant contributor to Europe's prodigious energy needs even as politicians wring their hands in concern at the disastrous environmental effects of the burning of fossil fuels.

As Hjalmar Arnason, a member of the Icelandic parliament, puts it: "Many beautiful words have been spoken (about renewable energy) but we always come to the same conclusion - we must do something. But what has that come to?"

PROFILE • Christos Papoutas

## Europe's power broker

The European Union's affable and quietly spoken energy commissioner, Christos Papoutas, allows himself a rare moment of modesty when talking about liberalisation of the EU's energy markets.

After 2001 and completion of the single market in goods and services, the agreement to open EU electricity and gas to competition will, he predicts, be listed among the most important achievements of the current Commission.

"I really believe these pieces of legislation were absolutely essential to completing the single market," he says. "They were two of the big successes of the Commission of [President Jacques] Santer."

An economist by training, former adviser to the Greek government on public administration and a Greek Socialist MEP for 18 years, Mr Papoutas arrived at the Commission in January 1995 without a background in energy to be plunged into one of the EU's most sensitive dossiers.

Energy liberalisation, under discussion since 1988, had been stalled by fundamental differences between EU states. Pro-liberalisers, such as the UK, Scandinavia and Germany, argued it would lead to cheaper energy prices and a more competitive EU industry. Opponents, led by France, argued energy was a strategic resource demanding long-term investment and planning, too sensitive to be left to market forces.

Within 18 months of taking office, Mr Papoutas helped steer EU ministers to a compromise funding which member states to open a minimum percentage of its electricity market to competition - but allowing those wanting to go further to do so.

And many states are already going beyond the minimum requirements.

"I am very optimistic that the market itself will make a strong push," Mr Papoutas says. "I am sure that by the end of the century, 50 per cent [of the EU electricity market] will be liberalised."



A classic commissioner: Christos Papoutas

Although each state is initially required to open only 20 per cent of its market to competition, rising to 35 per cent by 2003, Mr Papoutas says. Finland, Germany and Sweden are committed to opening 100 per cent; the UK will soon be at 100 per cent; Denmark is committed to 90 per cent; Luxembourg to 40 per cent; the Netherlands to 32 per cent, rising to 100 per cent by 2007; and Spain to 30 per cent, again rising to 100 per cent by 2007.

The commissioner expects the same with gas liberalisation. Ministers reached agreement - still to be approved by the European Parliament - last December requiring member states to liberalise at least 20 per cent of their markets, rising to 30 per cent after five years and 35 per cent after 10 years.

Gas liberalisation should, in turn, help reduce electricity prices, by allowing gas-fired generators to shop around for supplies. And Mr Papoutas believes market forces will once again push the pace, confounding critics who suggested the two agreements were weak compromises.

"I said from the very beginning, let's get an agreement, even if it is only for a small opening of the market, because market forces will themselves force a bigger opening," he says. As well as opening the EU's internal market to competition, the directives will increase opportunities for external producers to supply the EU. While this poses new challenges for EU energy groups, it will promote diversification of

supply sources - a key element of EU energy policy, which places a high priority on guaranteeing security of supply.

Countries, including Russia - already an important gas supplier to the EU - have expressed interest in becoming suppliers of electricity. External gas suppliers, such as Russia and Norway, initially concerned that gas liberalisation threatened to disrupt their relations with EU customer countries, have now accepted that the agreement is an opportunity rather than a threat, Mr Papoutas adds.

Liberalised EU gas and electricity markets will also provide opportunities for US investors.

"From the strategic point of view, it is crucial not only to have good relations with existing suppliers but also to open other ways and other routes for transportation of energy from other countries of the world," Mr Papoutas says. "The main principle is security of supply."

EU energy liberalisation reflects a trend towards globalisation of energy markets, as demonstrated by this month's first G8 energy summit in Moscow. While the meeting was more about debate than decision-making, Mr Papoutas suggests "the important thing was that people got together to talk for the first time".

The commissioner will continue efforts to put energy at the heart of EU policy-making. He failed in attempts to get an "energy chapter" inserted in the EU's Amsterdam treaty last summer, as the legal basis for all future energy policy - which currently relies on a variety of legal bases scattered throughout the EU treaty. Instead, Mr Papoutas is trying to persuade ministers to adopt a new energy framework programme, pulling together all policy strands.

"It was a mistake not to include an energy chapter in the treaty," he says. "Energy is one of the biggest industries, and touches every citizen. But within our limited capacities, we must develop a more coherent approach."

Neil Buckley

Our track record is very much like

Linford Christie's.

Consistently brilliant.

Bharat Petroleum has an annual turnover of over Rs 1,79,000 million. This makes us the second largest public sector oil marketing company in India. Our position reflects in many things. We have been consistently paying our dividend since inception. Our share price - a Rs 10 share is quoted at Rs 440. And our presence in the country-4376 retail outlets, 1162 LPG distributorships, 68 bulk depots, 8 coastal installations.



**Bharat Petroleum**  
FOR YOU, FOREVER

5 inland installations, 2 lubricant plants and a refinery with over 120% capacity utilisation for the past four years. What's more, we have even more exciting projects lined up.

For instance, we have 3 joint venture refinery projects, joint ventures in LNG and power. We also have 3 major cross-country pipeline projects. So if you are looking at investing or doing business with an oil company in India, look no further than Bharat Petroleum.

ENERGY PRICES • by Frank Gray

## Bleeding self-inflicted

The oil exporting countries' failure to enforce quotas is costing them dear

The world's oil industry is in a dilemma: according to analysts, not since the 1950s have oil prices been so low and never has production been so high.

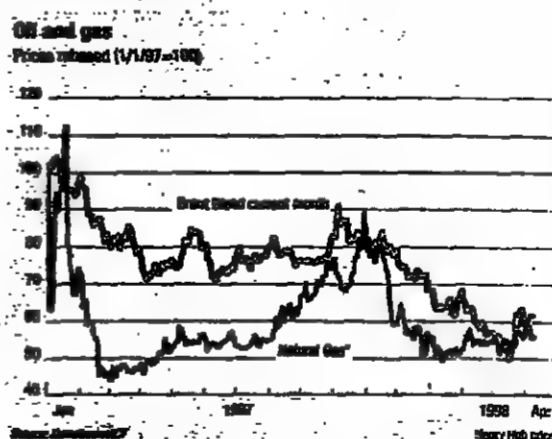
This is taking place against an impending recession in many Asian nations, such as Indonesia, South Korea and Thailand, and a slowing down of economic growth in many of the leading countries of the Organisation for Economic Co-operation and Development (OECD).

With oil prices having lost roughly half their value in the last 18 months - North Sea Brent is hovering at around \$13 per barrel against \$24 in late 1996 - margins have been cut to the bone, rendering much oil-field development technically unprofitable.

This has added to the woes of gas field developers who, for years and with little success, have been pushing for a decoupling of gas prices from oil prices in the hope that incipient demand for gas as the so-called "fuel of the future" would make major gas field development viable.

The oil price crisis is being closely watched in Iran, where Total of France hopes to develop the giant South Pars gas field with the help of Petronas of Malaysia.

Equally, watchful glances are being cast from Indonesia, where Esso and Mobil of the US and Pertamina, the Indonesian state oil company, are in the early stages of developing the Natuna gas fields, the largest in Asia.



It is estimated the field will cost \$42bn to fully develop and Natuna already needs all the luck it can get, given that it is saddled with high carbon dioxide content gas, which will add to its production costs. But, with 46.7m cubic feet of proven and probable reserves, or 41 per cent of all Indonesia's gas reserves, the investment should prove worthwhile.

An official for Pertamina, the Indonesian state oil company, says that present prices mean Natuna is simply uneconomical. Fortunately, full construction does not start for another year and first output is planned for 2003, by which time gas prices may have firmed up.

Most analysts agree that the crisis stems from a self-inflicted wound by the Organisation of Petroleum Exporting Countries (Opec), which has turned a blind eye to quota-breaking by member countries, most of them in the Middle East, but including Venezuela.

Last November it formally lifted quota levels, thereby allowing the market to be flooded and precipitating the current price crisis.

In an attempt to put the brakes on, Opec recently

agreed to reduce output by 1.2m barrels a day, or 4.7 per cent of the group's total output. Opec accounts for about 40 per cent of global output of more than 70m barrels a day. The move was reinforced by non-Opec members, such as Mexico and Norway, which promised cuts of 360,000 barrels a day.

After a brief bounce-back, prices have steadied at low levels, suggesting that the oil and gas giants will have some time to wait before margins widen.

This has once again raised the question of Opec's viability as a price-fixing cartel with such heavyweight members as Saudi Arabia, which, at 8m barrels a day, accounts for nearly 13 per cent of global oil production. Sheikh Ahmed Zaki Yamani, the former Saudi oil minister, recently conceded that Opec is on the verge of collapse.

"All that is missing is the finishing stroke," he says, adding that the organisation has not fully recovered from the big fall in oil prices 12 years ago (when Arabian light/Dubai tumbled from \$27.53 per barrel to \$12.97 per barrel).

Sheikh Yamani believes that the recent decision to cut production was not enough and that the cutback should have been three or four times larger.

In spite of the salvaging of the previously high-growth Asian market, demand for crude will continue to grow, reports the International Energy Agency, the energy arm of the OECD.

Last year, global demand was 73.5m barrels a day, up 2.5 per cent on the previous year. The IEA predicts that this year, demand will increase by 2.2 per cent to 75.1m barrels a day.

According to the IEA, Asia/Pacific's demand soared by 8.1 per cent in 1997 over 1996 to 18.6m barrels a day, just behind that of world leader North America at 20.7m. But the IEA sees these figures, excluding China, easing to 2.6 per cent this year over 1997.

China, so far having escaped the currency collapses of its neighbours, remains at rapid growth with a rise in oil demand of 7.7 per cent anticipated this year over 1997, when growth soared by 10.1 per cent over the previous year.

"A mild start to the year has led to weaker than anticipated demand in all of the large oil-consuming countries of the OECD," the IEA reports in its latest monthly oil report.

"These downward adjustments have been somewhat offset by a partial reallocation of Chinese deliveries from the latter half of 1997 to the first part of 1998 to more closely reflect underlying demand patterns. Global demand is now projected to increase by 1.6m barrels a day in 1998 compared with 1.8m barrels a day in 1997." Frank Gray is editor of Power in Asia, an FT Energy newsletter.

سكنا من الاصل

**Abstract**

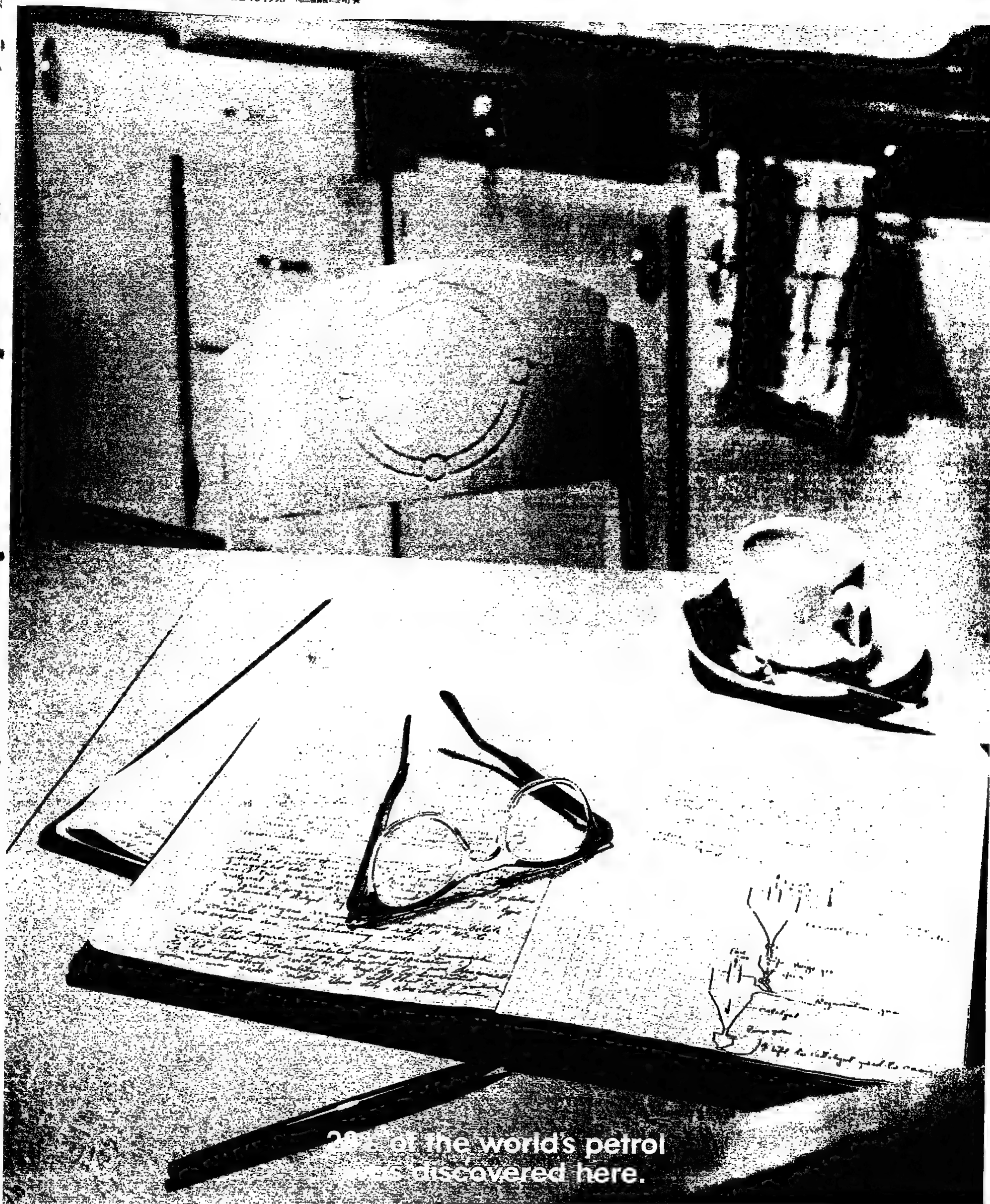
power broker




2. 10/15/2014  
 3. 10/15/2014

[illegible]

**-inflicted**



 More than a quarter of the petrol you buy owes its existence to an idea and to late night scribbles in the notebooks of two Mobil scientists. They discovered that a synthetic catalyst (crystals the size of a speck of flour) could make crude oil yield far more petrol than ever before. Their breakthrough led to a process that is now being used in nearly every major refinery in the

world. It has saved consumers billions of pounds a year and has greatly extended the Earth's precious oil reserves. It has also caused Charles Plank and Edward Rosinski, who together hold 159 U.S. patents and whose careers epitomise Mobil's commitment to science and technology, to be inducted into the U.S. National Inventors Hall of Fame. To learn more, visit our Web site at [www.mobil.com](http://www.mobil.com).

**Mobil** The energy  
to make a difference.

## Special Features: after Kyoto

LEGACY • by Layla Boulton

### Irreversible change in climate

**Doubts remain but there are signs that the world is warming to the task**

The impact of last December's Kyoto climate change conference will unfold for years to come. Its repercussions are only just beginning to be felt.

Western governments are starting to put together plans for achieving the greenhouse gas emission reduction targets they agreed at the December conference. Businesses are tentatively counting the costs and, in some cases, the benefits of policies to mitigate global warming.

Having fought hardest to prevent a deal being reached, the US car industry was the first sector to react when agreement was struck, in spite of a rear-guard attempt by oil-producing nations to kill it off. US car makers, trailing initiatives

announced before Kyoto by their Japanese competitors, lost no time in stressing their plans to develop low emission vehicles.

Households and car-owners are also increasingly hearing how action to curb greenhouse gas emissions from fossil fuel use might affect their lives.

All this activity has been prompted by the legally-binding commitments made at the conference, attended by 110 industrialised nations to bring emissions below 1990 levels by 2010.

The main thrust of action will be over fossil fuel use, since this is the main source of carbon dioxide, the most important greenhouse gas.

The five other greenhouse gases covered by the Kyoto protocol are: nitrous oxide (from vehicles and industry); methane (from agriculture and landfills); and three which are used as substitutes for ozone-destroying chlorofluorocarbon gases but whose global warming potential is up to 20,000

higher than carbon dioxide. Other policies to deal with these gases include capping emissions from landfill sites and encouraging alternatives to CFCs which make no contribution to the greenhouse effect.

The European Union, the United States and Japan respectively undertook to reduce their emissions by 8, 7 and 6 per cent.

These numbers are bigger than they look in so far as emissions would normally increase with economic growth over that period.

But the EU commitment is less impressive than it seems since, within that overall target, individual EU nations are to be allowed targets which might be as generous as a 40 per cent rise for Portugal and as tough as a 13 per cent cut for the UK.

Australia, which had threatened to torpedo the deal, got away with an 8 per cent increase. Russia, Ukraine and New Zealand were allowed to keep their emissions at 1990 levels.

There are loose ends to be tied up and mutual suspicions to be allayed in the wake of Kyoto. For example, the deal has no legal force until it is ratified by countries accounting for at least half the world's emissions - a process which could take at least two years.

Meanwhile, the Europeans fear that the US will try to avoid a painful domestic adjustment by buying surplus emissions from Russia. And non-Europeans remain resentful of the EU's arrangements for meeting their collective target through differentiated targets.

The US Senate has warned it will not ratify any deal that does not include matching commitments for big, fast-growing developing countries, such as China. As part of its attempts to assuage Congress, the US has yet to sign a UN agreement allowing developing countries voluntarily to assume obligations of their own, along with approval for an emissions trading system.

Both items will be on the agenda for resolution at an inter-governmental climate change conference in Buenos Aires in November.

Despite such reservations, it is clear that the Kyoto deal is already generating momentum for a long-term change in energy use. It is also set to accelerate the speed with which industries bring new products to market, aided by government incentives to develop them.

Despite government assurances they will avoid damaging their countries' competitiveness, there are bound to be losers and winners from the Kyoto process.

The biggest loser is likely to be the coal industry, the most carbon-intensive fossil fuel and a relatively easy target. It is so heavily subsidised that the World Bank reckons that phasing out German coal industry subsidies alone could reduce global carbon dioxide emissions by 1 per cent.

The biggest winners will include the green technology

and energy efficiency industries. The US government expects this year to receive the go-ahead from Congress for a \$5bn package of tax breaks and subsidies for energy efficiency and new technologies which do not generate greenhouse gas emissions. And European energy ministers will consider next month an ambitious blueprint to promote renewable energy sources, such as wind and solar power. It proposes initial government pump-priming of Ecu200m over 10 years.

One of the most intriguing aspects of the Kyoto legacy will be the emergence of a global market for carbon dioxide emissions. This gives companies and countries the flexibility to reduce emissions when, and as, it is most cost-effective for them to do so. So excited are its proponents that a UN conference gathers in London next month to try to hammer out the rules of the game even before the concept is agreed at Buenos Aires.



Emissions possible: less coal, more power to the Kyoto protocol as

EMISSIONS • by Nick Cottam

### Birth of a grey market

**Dealing in pollution permits would be a cheap way to meet Kyoto targets**

If you can trade on the futures market in coffee or wheat then why not set up a similar system for pollution permits? So runs the thinking of the UK-based Advisory Committee on Business and the Environment whose recent paper on climate change argues that the City of London could become a financial centre for environmental trading. All that Britain has to do is take the plunge and establish some kind of domestic scheme.

In the wake of Kyoto and a climate change protocol that establishes the principle of emissions trading, governments and any number of organisations are now trying to come up with the ground rules for a workable system. Options on the table include emissions trading within countries and between individual polluters but the real prize will be a system which works well on the world stage.

The strongest arguments in favour of emissions trading - as opposed to more regulation, on the one hand, and some form of green taxation on the other - is that it costs less to administer and actually provides a commercial incentive to carry on reducing emissions.

All you need for starters is a source of pollution which can be measured and monitored and a market place of polluters willing to accept and trade in permits.

Assuming such a starting point - and we have one with a greenhouse gas such as carbon - the next step is to have legally binding targets, such as those which have been introduced as part of the Kyoto Protocol. If Kyoto targets are ratified when the heads of government meet again in Buenos Aires in November it now seems certain that some form of emissions trading will go ahead.

"We are working towards a deadline of setting up an emissions market by the year 2000," says Frank Joshua, head of greenhouse gas emissions trade at the United Nations Conference on Trade and Development.

Mr Joshua and his Unctad team have spent the last seven years exploring the options, trying to produce workable parameters and learning from some of the emissions trading success stories.

Among the most prominent of these has been the US Acid Rain Program which began in 1995 and aims to reduce sulphur dioxide emissions from US power stations by more than a half. So far the programme is ahead of target with participants reducing compliance costs by up to 50 per cent.

The encouraging progress of those involved in the US Acid Rain Programme is based on two key criteria for successful emissions trading: there must be an established regime of regulation and

monitoring with clear reduction targets and the source of the pollution must be traceable.

Add to this the right size and shape of market, says Mr Joshua, and you have the basis to go ahead and trade.

"The first principle of a trading system is that you need legally binding limits - all other systems will flow from that. In the case of the Kyoto Protocol people believe that it will be ratified and are now preparing for it," he argues.

The problems, it seems, are in the detail. If a regime begins by issuing trading permits for carbon, who will actually trade: individual firms or governments?

If, as has been suggested by the US, governments are allowed to trade with each other how will the system avoid what is known as "hot air trading" and ensure that all parties have sufficient incentive to reduce actual pollution.

And should an administration be charging for initial permits or issuing them free to existing polluters, a factor which could restrict new entrants to the market once the allocation is complete?

These, and other, issues will be debated at Unctad's Emissions Trading Week in London in May and then by EU Ministers when they meet the following month in Bonn to decide how they are going to meet Kyoto targets.

The upshot, believes Tim Denne, an economist and expert in climate change with the environmental consultancy Environmental Resources Management, is that an international system of emissions trading will be established.

"In the short-term, you may get a certain amount of hot air trading but, in the long-term, it has to be good for the environment. At the moment, the cost of meeting emissions reduction targets varies hugely between countries and setting up some kind of international system would be a way of equalising these costs," he says.

Ideally, believes Denne, such a system would allow firms to trade directly with each other. "In a competitive market it is more likely that firms, rather than governments, will find the least cost means for emissions reductions. Firms can also predict the price they will face while governments may expose participants to a range of policy measures, making the cost of reducing emissions less predictable."

A case in point is the UK Government's agonising over the coal industry. A trading system for carbon would almost certainly accelerate the industry's decline, leaving the government on the receiving end of a considerable amount of political fall-out from its own supporters.

But there is some enthusiasm for a trading solution. David Porter, chief executive of the Association of Electricity Producers, believes it "would give everyone a good deal, from legislators, through power producers to customers."



*They wouldn't have survived their migration  
if they couldn't have stopped at their feeding grounds;  
they couldn't have stopped if construction  
on a nearby power plant had scared them away;  
the construction wouldn't have waited  
if not for the engineers of ABB.*

Visit the ABB World Wide Web site at <http://www.abb.com>

شركة ابي

## Special Features: science & technology

BIOMASS • by John Madeley

# Light at the end of the tunnel

Chicken dung could be the power behind 21st century electricity

At first sight, and smell, poultry litter is hardly the stuff to light up the world. Rather, it is something to be disposed of without too much of a fuss.

But thanks to a new technology, the 1.4m tonnes of litter generated in Britain each year by the poultry industry could become an unlikely - and renewable - source of electricity.

When people in parts of Britain switch on their lights, it could be chickens behind the current. And, while poultry litter might be associated with "dirt", it is a clean fuel to burn.

Power stations at Flix-borough, Humberside and Eye in Suffolk, already burn poultry litter in conventional boilers. Now a Chal-tenham-based company,

Agrigen, part of United Energy, has devised a process which, it says, is cheaper and more efficient.

Next year the company will begin construction, in Northampton, of the first biomass power station in Britain to use poultry litter in a fluidised bed combustion system. This is a modern type of boiler that seems likely to become popular for generating power.

It has significant advantages over coal-fired power stations and over conventional boiler systems that use biomass (plant and animal material).

The burning of fossil fuels emits greenhouse gases which contribute to global warming. Coal burning accounts for more than 40 per cent of worldwide carbon dioxide emissions from fossil fuel use.

Following the Kyoto summit on climate change in December 1997, EU countries are committed to reducing emissions of greenhouse gases by 8 per cent by 2012.

Power stations that use biomass could help.

The Northampton station will cost around £20m and be capable of producing up to 10m megawatts (MW) of electricity. This level of electricity generation can meet the needs of around 10,000 homes. A coal-fired station would need to burn 50,000 tonnes of coal to generate an equivalent amount of power.

The fluidised bed used in the process is manufactured by Kvaerner Pulping Oy of Finland and made up of sieved natural sand; this is maintained in suspension by currents of air forced through the bed. The walls, roof and floor of the boiler are made of gas-tight, water-cooled panels and the lower part of the furnace is lined with specially designed light cement refractory tiles. The tiles help to create an elevated combustion zone.

After the sand has been heated to around 300 degrees Celsius, poultry litter is fed into the bed from a hopper located above. Light mate-

rial combusts instantly on contact with the sand particles, while heavier material is combusted when it falls into the bed itself.

Agrigen says that this double-section results in a much larger combustion zone "with a high degree of turbulence and high heat transfer rate within the bed, resulting in complete combustion of the fuel". About 38 tonnes of hot steam an hour will result driving a turbine with a capacity of 11.6MW gross. The final result, it is claimed, is "clean" electricity.

"Poultry litter is a remarkably clean fuel with significantly lower emissions than coal when burnt in a fluidised bed boiler," says Derek Howard-Orchard, Agrigen's technical director.

Fluidised bed boilers are also better able to cope with variations in fuel load while maintaining combustion gas temperatures, he claims, and maintenance costs are low because of the lack of moving parts and the combus-

ter's relatively simple construction. Emissions of combustion gases will be low, says Agrigen, because of the efficient combustion process "and the relatively low and uniform bed temperatures compared with other boiler systems".

About 120,000 tonnes of poultry litter from the local broiler industry will be burnt each year at Northampton's new station. The litter will come from deep litter systems, where hens move around on matting material in sheds. It is their droppings that make the matting a valuable waste.

The litter will comprise both poultry manure and matting material - either of chopped straw, shredded paper or wood shavings - and also small quantities of feathers and feed grain. On delivery to the station, the litter will pass through a screening process to ensure uniform feed size.

The new station - which will be connected to the national grid to produce

electricity for East Midlands Electricity - will also have spin-off benefits.

Burning poultry litter in this way will mean that it no longer has to be disposed of by being spread on fields as a high nitrogen manure. This practice can cause a double environmental problem - when the litter decomposes it generates the greenhouse gas, methane, and it can lead to higher levels of nitrate in run-off waters.

Also, the ash residue that results from burning the poultry litter will be quite high - 300 tonnes a week. This ash will be bagged for distribution as a phosphate rich fertiliser.

The project is supported by a £1.75m grant from the European Commission Thematic programme, which aims to protect the environment through improved uses of energy. One of the conditions of the EC grant is that the station is open to people from other countries who are interested in starting a similar kind of activity.

NIBS Electricity

## Under currents

ASIA

● Thailand - CMS Energy of the US has acquired a 50 per cent stake in a 300 megawatt power plant under construction in Thailand. The equity is valued at \$60m and the purchase was made from Soon Hua Seng (SHS) Group. The purchase reflects CMS' determination to increase its activity in Asia.

The coal-fired cogeneration plant of two 150MW units will sell 60 per cent of its power to the state utility, the Electricity Generating Authority of Thailand (Egat) under the small power producer programme aimed at encouraging more independent power project development in Thailand.

● Thailand - Egat has shaken up its boardroom structure in an effort to accelerate Thailand's infrastructure privatisation programme. On March 31, eight of 11 members of the board were relieved of their positions in a move ordered by the Thai cabinet and designed to gain support for the privatisation programme for the utility.

A significant figure among new board members is Piyasvasti Amranand, secretary-general of the National Energy Policy Office and one of the government's chief privatisation strategists.

● India - The New Delhi government is considering extending its policy of providing central government "counter-guarantees" for independent power projects.

The policy was outlined, following the recent election, by Rangarajan Kumaramangalam, the new power minister. He said the government would consider such guarantees for large hydro and mainly coal-fired projects. The counter-guarantee would provide sovereign cover against the financial default of any Indian state or central government authority entering into an independent power project.

● Pakistan - The government has served a "preliminary notice" that the troubled Karachi Electricity Supply Corporation, the utility serving the country's financial and industrial capital, is up for sale.

The utility, which the government acknowledges has suffered from corruption and operational inefficiency, has 1,735MW of, mainly, oil-fired capacity. The government is prepared to sell up to 51 per cent of the company.

● Philippines - Raytheon of the US has won \$700m in contracts to design and build a 345MW power facility and dam north of Manila for San Roque Power, a consortium led by Marubeni of Japan. Two units of Raytheon Engineers & Constructors will handle major parts of the Project. Raytheon Engi-

neers & Constructors will be responsible for construction and United Engineers International, will oversee design engineering and equipment. The three, 115MW, hydroelectric units will start going on line by 2001.

● China - The World Bank has approved a \$350m loan for China's first stand-alone transmission network expansion project. The programme will boost the efficiency of supply, through a modernisation programme, to Shanghai and to three neighbouring provinces, Anhui, Jiangsu and Zhejiang.

The Bank says the expansion will ensure both that the new and renovated generating stations in the area are properly integrated and that the growing demand in southern coastal areas of Jiangsu is met. A total of 1,000km of 500 kilovolt transmission lines will be built under the scheme.

AUSTRALASIA

● Australia - The start-up date for Australia's national electricity market is to be delayed until mid-May. The national market was due to begin March 28 but the company overseeing the creation of the new grid will instead begin stress testing of software and management systems.

The delay follows criticism of the proposed national electricity code by the Australian Competition and Consumer Commission (ACCC) and fears about the reliability of generation after blackouts in Queensland and in Auckland, New Zealand.

LATIN AMERICA

● Peru - Shell has postponed its decision on whether to go ahead with the \$3bn Camisea natural gas project in Peru. The gas-exploitation project, involving power transmission and on-line gas-fired power generating schemes, would be one of the largest integrated power projects on South America's west coast.

Camisea had been expected to start production at the end of 2001.

Shell's Andrew Vickers, prospecting and development spokesman, says the delay stems from an analysis of data obtained from drill samples from the Camisea gas reserves in the Amazon jungle. "We remain confident that the project will proceed, there is no doubt about that."

● Latin America - The Inter-American Development Bank (IDB) last year provided \$1bn in loans for energy and electricity projects in the Latin America/Caribbean region - one-sixth of the IDB's total lending in the region and well ahead of the \$300m in energy loans for 1996.

Projects included the Bolivia-Brazil natural gas pipeline and the American electricity grid.

Last year in South Humber Bank, UK, one of the wonders of technology collided with one of the wonders of nature and something wonderful happened. Nature survived.

The largest combined cycle power plant in Europe was under construction. Unfortunately, it was on a site adjacent to a feeding ground for migratory birds.

Fortunately, the company doing the construction was ABB. You see, ABB is one company that's not only committed to the business of electric power generation, it's also committed to the preservation of the environment.

And it's a commitment that stretches from ABB's senior management all the way through to its subcontractors on the construction site.

Which is why during the months between September and March, construction on the plant, which might have alarmed the migrating birds and prevented them from feeding, was abruptly stopped.

The power plant, which is representative of modern power plant technology (highly efficient with minimal impact on the surrounding environment), was finished only after the birds had completed their annual migration through the area.

A fact that made English environmentalists very happy. Not to mention the birds.

INGENUITY AT WORK



# Regional Focus: The Caspian Sea

OVERVIEW • by Carlotta Gall

## Oil starts to calm troubled waters

Old conflicts are being settled as commercial priorities take over from politics

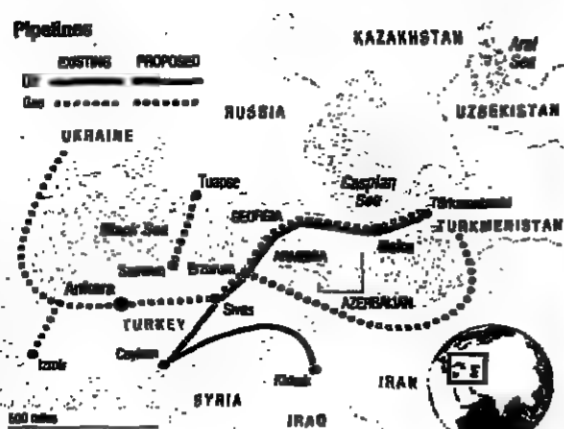
A rusted tanker filled up last month with oil at a dilapidated jetty on Turkmenistan's Caspian coast. Its cargo? The first oil from the Anglo-American production sharing agreement, run by Monument Oil and Gas and Mobil Oil in Turkmenistan, across the sea towards western markets.

There was little fanfare but the event was another milestone for the Caspian states following the celebration of the first Azeri oil to flow out to the west last November and the opening of a new gas pipeline from Turkmenistan to Iran in December. The oil and gas are moving, and so the biggest handicap faced by the region, the lack of export routes, is proving manageable.

As the 1990s draw to a close, the Caspian region is looking more secure in its fortunes. The turmoil and uncertainty of the years after the break-up of the Soviet Union have largely settled down.

The steady predictions about the potential of the Caspian basin are also forming into a more reasonable picture - this is no second Gulf but something of a North Sea. That it is going to be a big producer in the next century, there is no doubt now.

There are still many outstanding political issues between the countries of the region, and numerous local frustrations, but the reality is that foreign companies are working and getting their oil out successfully. The feeling is now that commercial pri-



ities will start to lead the politics.

1998 will be a critical year, many oil executives and government officials say. There are important regional political decisions pending and some pressing internal issues. One is an agreement on the status of the Caspian Sea between the five littoral states - Russia, Kazakhstan, Turkmenistan, Azerbaijan and Iran. A recent flurry of diplomatic activity has raised hopes that a deal will be struck this year.

Another important decision, scheduled for the autumn, is the route for the main pipeline that will carry the bulk of the oil from the Caspian westwards. Russia will lobby hard for a route through southern Russia to the Black Sea, but the choice is heavily weighted towards a route south from Baku through Georgia to the Turkish terminal of Ceyhan on the Mediterranean coast.

The second route will receive a boost when the western pipeline from Baku to the Georgian terminal, Supsa, on the Black Sea comes on stream later this year. The pipeline will bear oil from the Azerbaijan International Operating

Company (AIOC) consortium and introduce a competitive alternative to the northern Russian route.

Oil executives will be watching the results of drilling carefully, too, this year. Recent months have thrown up disappointments in Azerbaijan's offshore fields, with consortiums drilling in the Karabakh and Ashrafi fields hitting dry wells or gas which, without a pipeline network, no one really wants. "It gives food for thought," as one foreign diplomat says.

Consortiums working offshore in Turkmenistan and Kazakhstan waters will also start drilling later this year. In the meantime, there are enough political changes to keep everyone on their toes. Armenia has just elected a new president and Azerbaijan will go to the polls to vote in a new president in October.

While there is no open conflict in the region for the first time in nearly a decade, the Caucasus remains volatile. The old conflicts are no nearer resolution and even an old survivor, such as President Eduard Shevardnadze, of Georgia was subject to another assassination



Oil and water: Neftalya Karmay, 60km east of Baku, is set to become a huge oil terminal

attempt as recently as February. He immediately connected the attack with the oil pipeline being built across Georgia which he has championed vigorously but which is opposed by some in Russia.

Tensions have also been rising in Dagestan, the Russian republic sandwiched between Chechnya and the Caspian Sea, as it gears up for local leadership elections. Dagestan has the highest level of political violence of any Russian republic and is awash with guns and gangsters.

Chechnya has a new prime minister, Shamil Basayev, who is hated in Moscow for his hostage taking during the war, but who is proving ready to cut a deal. There persists a hope that oil will prove the lubricator for many of the outstanding conflicts in the region.

Russia, for example, has shown signs of following its commercial interests rather than its imperial instincts in the region. First Deputy Foreign Minister Boris Pastukhov came to Baku last month to discuss the issue of the status of the Caspian and said Russia was ready to accept the sectoral division

of the Caspian. This would divide the sea bed by a median line equidistant from each shore.

Russia still insists that the body of water be common property, arguing that fishing and environmental issues have to be handled by all the states together. It would also give Russian border guards the right to patrol the entire sea rather than just its own section.

The trend among the other countries is simply to get on with business. Turkmenistan and Azerbaijan are holding intensive talks to resolve their dispute over the Kypaz field. While negotiating, Turkmenistan has followed Azerbaijan's example and opened up its offshore fields to international tender.

Iran may prevent a deal being clinched this year on the status of the Caspian, but it also has been brought in on the Shah Dena project and is making plans to exploit its own sector.

Oil companies are hoping for an agreement this year, even if only a bilateral deal between Azerbaijan and Turkmenistan, which would establish some legal certainty and open the way for a trans-Caspian pipeline.

One development foreign companies are not happy about, however, is the soaring scale of corruption in Azerbaijan in particular. While international oil companies are used to the problem in many other parts of the world, in the Azeri capital Baku they are starting to grumble that "something must be done".

Azerbaijan was named the fourth most corrupt country in the world, after Russia, Ukraine and Nigeria in a recent report by the company Control Risk. Businessmen say that if, two years ago, the cost of establishing a presence in Azerbaijan and "getting things done" was \$30,000, now this price is \$120,000. "They are getting greedy," says one diplomat. The corruption is alienating foreign companies and, as some Azeris flaunt their conspicuous wealth with Mercedes 600s and expensive suits, aggravating internal tensions in a country where every seventh person is a refugee and many live below the poverty line.

1998 will be a test for Azerbaijan and the other Caspian states as to whether the golden goose can lay its eggs.

PROFILE Socar

## Dinosaur survives

The State Oil Company of the Azerbaijan Republic, known by its English acronym Socar, is the dominant force in the country's oil and gas business.

A vast Soviet-style monolith, formed in 1993, it has a monopoly of every aspect of the industry, the backbone of Azerbaijan's economy. For foreign oil companies wishing to work in Azerbaijan it is the first, and virtually the only, port of call.

With 77,000 employees, 17 different companies, four scientific institutes and even kindergartens and medical sanatoria, Socar is a state within a state. It produces 5m tonnes of oil and 5m cubic metres of gas a year. Though this is well below its potential.

Iham Aliyev, only son of the president of Azerbaijan, is first vice president at Socar, in charge of foreign relations, which involves dealing with foreign oil companies. Azerbaijan has signed deals valued at some \$30bn with foreign companies earning tens of millions of dollars in the process.

Company spokesman Rafiq Abdullayev says that all the money goes straight towards the country's budget but Socar's workings are far from transparent. A lot is thought to go astray.

Although Socar has huge potential, it is a cash-strapped, broken-down dinosaur. The vast workforce complains of low salaries. Jafar Bagirov, who was head of Socar when it was formed, says that much of its equipment is obsolete and 80 to 40 per cent needs to be replaced.

In the company headquarters, a graceful turn-of-the-century building overlooking the Caspian Sea in central Baku, the wooden panelling is rotting outside the office windows.

President Nadejda Aliyeva, and the 1993 work only sporadically.

The company is trapped in a time warp. Wholly owned by the state, it is obliged to give 40 per cent of the fuel oil it produces to the national electricity generating companies.

They owe Socar approximately \$1bn in unpaid bills but since electricity and gas to the consumer are so heavily subsidised they cannot generate the income required for repayments.

Socar only goes along with the scam to avoid "a social explosion", spokesman Abdullayev says.

The company is also paralysed by the need to refer decisions to the top. Little is decided without Azerbaijan's President Heydar Aliyev's involvement. Foreign oil executives complain of waiting for months for deals to be sorted out, either because of corruption or because one dare not act without clearance from above.

Privatisation would solve many ills, Bagirov argues, removing the dead weight of unprofitable sections and introducing market dynamics but the company is resisting.

Privatisation of some parts of the company is scheduled for 1999, but Abdullayev argues the lack of cash flow makes it impossible.

Carlotta Gall

It isn't just a cricket game.  
It is  
The Perfect Investment Climate.



FESTI ENERGIA

With Estonia poised to enter the European Union, the potential for an energy grid interconnecting the Baltic states with Scandinavia, Germany, Russia and Poland opens up exciting prospects for the power industry.

CHECHNYA • by Carlotta Gall

## Risks and returns

Only the bravest investors will be tempted by a region awash with oil, and danger

The Caspian and Caucasus regions present oilmen with enormous political and geographical challenges but Chechnya has to be the most daunting place of all.

A tiny, mountainous republic where the blood feud is still practised and kidnapping is common, Chechnya is too risky for most investors.

Even more so since its savage 21-month war with Russia, Chechnya has become too difficult for foreign investors to handle. It has de facto independence after kicking out the Russian army but no country will recognise it as an independent state or consider investing in the territory for fear of offending Moscow.

Yet the rebellious republic of just one million people, perched half way along the North Caucasus on Russia's southern rim, has its attractions.

It possesses oil reserves of its own and a vast oil refining and pipeline network. Not for nothing was the Chechen capital, Grozny, one of Hitler's goals in his push across Russia. His army came within 100 miles of the city.

Nowadays, Chechnya is still of vital strategic importance, as it lies on the route of the only working pipeline carrying Caspian oil to western markets, from Baku in Azerbaijan to the Russian Black Sea port of Novorossiysk.

The oil began flowing along the pipeline last November after long negotiations. Some 100,000 barrels a day will pass through this year, rising to 700,000 barrels at the peak in 2010. Transport tariffs alone should help Chechnya rebuild its destroyed oil industry in the absence of outside help.

One of the lasting images of the war was the pall of black smoke billowing from the burning refineries and hanging over the bomb-damaged city. It seemed the refineries and oil installations were destroyed beyond repair.



Oil fired: Grozny's burning refineries symbolised the war

Yet, two units of the sprawling Lenin refinery on the west side of the city survived and are still working. A tangle of blackened and newly painted silver pipes and funnels, they are turning out up to 20,000 tonnes of refined products every month for sale in Russia.

Chechnya somehow managed to export more than 1m tonnes of oil a year during the war, mostly from oil fields outside the capital which escaped the fighting, and has continued to do so since.

There is business to be done for those who dare. As Shamil Basayev, the former field commander and now Chechen Prime Minister says: "He who gets to the tree first, picks the plum."

Mr Basayev has already signed preliminary agreements with several foreign operators, although he declines to name them.

He has revealed that a British company is looking to develop Chechnya's oil business, while an Indian company plans to build a

power station to run on the associated gas from the oil fields.

One investor who visited Grozny's refinery last September, is former British Conservative party treasurer, Lord MacAlpine.

Together with Khodz-Akhmed Nukayev, reputedly Chechnya's richest man, Lord MacAlpine was exploring the possibility of leasing from the government the section of the export pipeline that crosses Chechnya. The plan does not seem to have progressed, however.

Since his appointment as head of government in January, Mr Basayev has appointed his younger brother, Shirvan Basayev, to the powerful post of minister of fuel and energy and dissolved the state oil company. The Basayevs' firm hand and generally clean reputation could make negotiating in Chechnya easier. A deal with them is likely to last.

With investment, Chechnya could raise its oil production to 5m tonnes a year,

says Akhmed Halkimov, who heads the national oil production company Grosneft. At the peak of production in the 1970s output was 21m tonnes but levels fell to 3.5m by 1994, largely because of the antiquated Soviet machinery and lack of investment.

Chechnya's plants used to refine 20m tonnes of oil a year and were the main suppliers of oil products, including high grade jet fuel, to the Caucasus region and southern Russia.

Engineers say the country's refineries and a chemical plant have largely survived and could be brought back into work. The main damage was to three of Grozny's power stations and the 100 storage tanks, most of which burnt and now lie in molten folds.

There is ample evidence that the plains of Chechnya remain awash in oil. Locals dig wells in their back gardens, some just 20 feet deep, and hand up the oil in buckets. They refine it themselves, heating it in a tank sunk in the ground, and sell the petrol in big 8-litre jam jars on the side of the road. They laughingly call it *sompo*, the Russian for home brew.

The rebels were never short of fuel during the war thanks to the efforts of the homemade refineries but now the government is trying to stamp out the practice, not least because it is dangerous and causes pollution.

Harder to control may be the men who tap into the pipeline bearing Azeri crude to the Black Sea. Much of the pipeline lies underground and so survived the war intact but it surfaces to cross the Terek river and enterprising robbers have siphoned off the oil in the past.

Mr Basayev has guaranteed the security of the pipeline and it is certainly in his interests to keep the oil flowing. Chechen officials say it is the one issue where Russia's and Chechnya's interests coincide and on which they can agree.

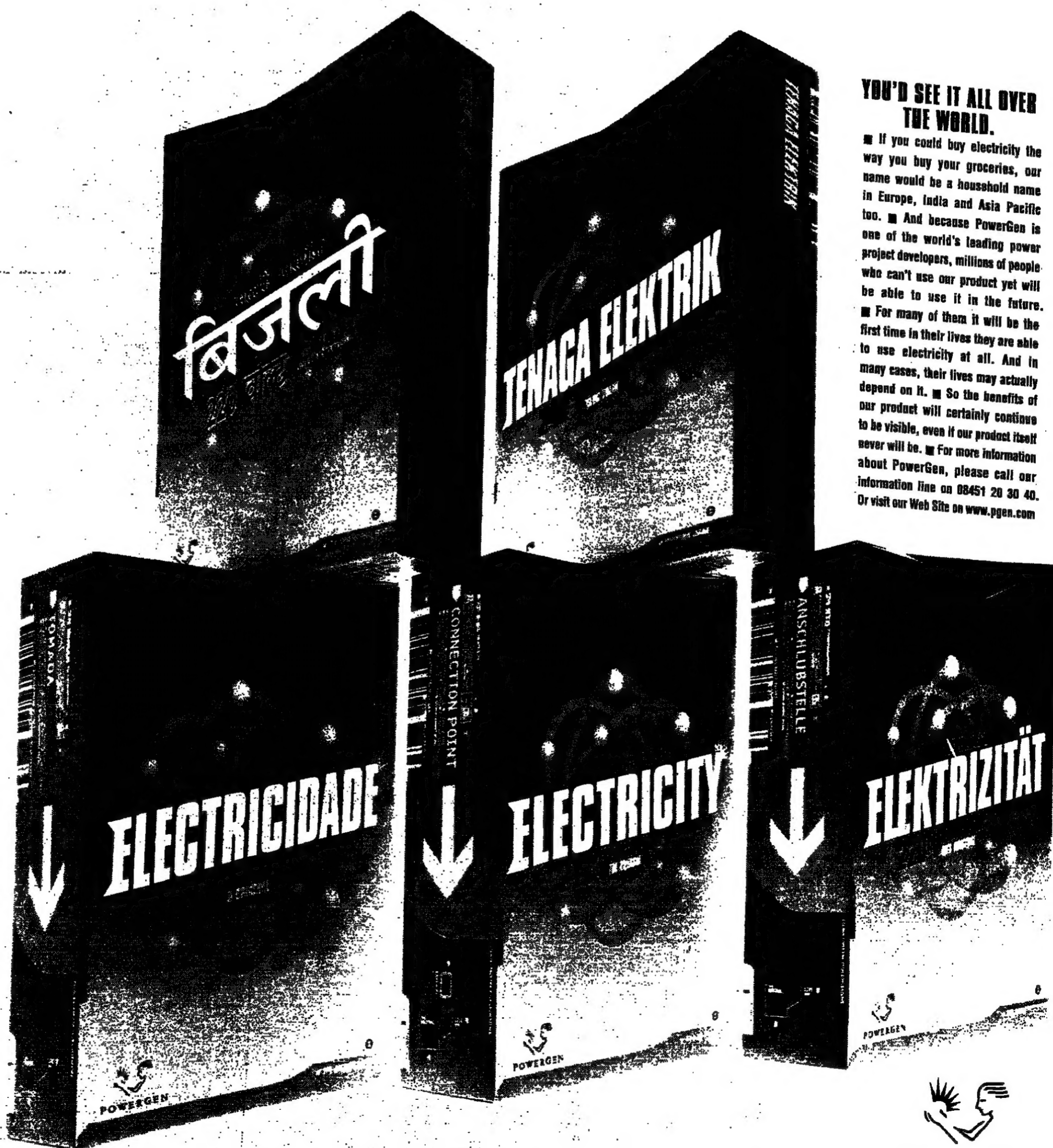
Basayev is also adamant that there will be no more war in Chechnya but he predicts unrest in neighbouring republics, in particular Dagestan.

[illegible]

## rns

**YOU'D SEE IT ALL OVER  
THE WORLD.**

■ If you could buy electricity the way you buy your groceries, our name would be a household name in Europe, India and Asia Pacific too. ■ And because PowerGen is one of the world's leading power project developers, millions of people who can't use our product yet will be able to use it in the future. ■ For many of them it will be the first time in their lives they are able to use electricity at all. And in many cases, their lives may actually depend on it. ■ So the benefits of our product will certainly continue to be visible, even if our product itself never will be. ■ For more information about PowerGen, please call our information line on 08451 20 30 40. Or visit our Web Site on [www.pgen.com](http://www.pgen.com).



# POWERGEN

**THE POWER BEHIND POWER**



# LNG: the Asian fall-out

THE MIDDLE EAST • by Andrew Symon

## Taking on the establishment

Output is set to boom, promising competition and threatening over-supply

The Middle East has thrown down the gauntlet to the established south east Asian and Australian producing regions. New plants in operation, under construction and planned in Qatar, Oman and the Yemen are introducing an unprecedented level of competition for supply to Asia.

If the LNG trade has been a sellers' market, this new wave is turning the balance in favour of buyers.

The region's arrival as an LNG power was announced by the advent of Qatar as an exporter in 1996 from the Qatargas plant - the first new source of LNG from the Middle East since Abu Dhabi began shipping to Japan in 1977.

The Qatargas two-train, 4m tonnes a year capacity plant has a base-load contract with Japan and plans for a third, 2m tonnes a year, train.

The plant is fed by the North Field, the world's largest non-associated gas field, with 240 trillion cubic feet of proven and probable reserves.

This figure excludes reserves in Iranian territory, known as the South Pars field, a contract for which was given by the Iranian government, last year, to a Total-led consortium, in spite of the threat of US sanctions against the company and its partners, the Russian Gazprom and the Malaysian Petronas.

A second plant is to start in Qatar next year, in July. The two train, 5m tonnes a year Mobil operated Rasgas, also fed by the North Field, will start sending shipments



Expanding gas: the region promises an explosion in capacity

to South Korea under long-term contracts which have survived the financial crisis in the market.

Oman is to join the club in 2000, also with exports to South Korea under long-term contracts from a Shell-operated two train, 6.6m tonnes a year plant. Korea Gas, the state owned importer, and several other Korean companies have a small equity stake.

In Yemen, a Total-led group, which includes the South Koreans Yokong and Hyundai, wants to build a 5m tonnes a year plant.

Qatar and Oman enjoy an advantage by low gas costs. Consultants Gaffney, Cline and Associates put feed gas costs at between \$0.50-\$0.60 per million Btu (mBtu) for Qatar and Oman projects while Yemen's \$1.20m/Btu is similar to the average costs for south east Asia and Australia.

The disadvantage for Middle East producers is their distance from east Asian markets. Geo-politics may also be a problem. Japan, already dependent on Middle East oil, may not want to also become dependent on Middle East gas.

The presence of Korean equity points to the country's new weight in the LNG world. Associated with this emergency was dramatic change to price contract terms. LNG prices are linked to oil prices and past practice has been for ceilings and floors. These have been removed in the Oman and Rasgas Korean contracts with the developers keen to lock-in contracts and the Koreans driving hard bargains. Since then, oil prices have crashed and should a low price regime continue, producers will hurt.

All this, combined with uncertainty as to when South Korea will commit again to new contracts, as well as Thailand's deferment of Oman LNG, make India a key to Middle East producers' ability to meet longer-term output targets. A 5m tonnes a year plant for Qatar is proposed by Enron for sales to India.

Sales into the Mediterranean may also become important. Abu Dhabi already exports small volumes to Europe. Qatargas is selling to Turkey and Oman and Yemen hope to follow its lead.

Robert Corzine

PROFILE Atlantic LNG

## Sun, sand, sea and a dash to LNG

The Atlantic LNG plant which is rising rapidly on reclaimed land at Point Fortin on Trinidad's southern coast reflects the new cost consciousness that is taking hold in the sector.

Now just more than 50 per cent complete, and on schedule to ship its first cargo in about a year's time, the \$1bn Atlantic LNG plant is the single biggest industrial investment to have been made in the Caribbean, and the first greenfield LNG development in the western hemisphere, for more than 25 years.

There are several aspects to Atlantic's development which differentiate it from other LNG projects. One is time. The average development time for a 4.5m tonnes a year LNG plant is 14 years. The time between the conception of Atlantic and first production from the 3m tonnes a year facility will be just six and a half years.

The speed with which Atlantic is being built is, in part, a reflection of the government's priority to develop its large gas reserves in order to offset declining oil production.

"Governments are often the reason why LNG projects come out at around \$85m. That compares with original estimates of \$1.3bn-\$1.5bn."

Installing a second train at Point Fortin would be even more cost effective, say Atlantic officials. Intense negotiations are under way with Atlantic's two launch customers - Cabot of the US and Enagás of Spain - on possible additional purchases. There is sufficient land at Point Fortin to support as many as three trains and there would be "significant operating benefits" from spreading the cost of services, such as tug, over a greater number of liftings.

Simon Bonini, British Gas' country manager in Trinidad, says there could be considerable capital savings if an early decision was taken on the second train, as it would give continuity to Atlantic's key contractors.

Atlantic officials are concerned about competition from Nigeria Liquefied Natural Gas, the only other LNG facility now being built in the Atlantic Basin. "Nigeria is worrying," says Mr Bonini, although he insists that Atlantic is not necessarily facing a limited window of opportunity for expansion.

Much will depend on the government's attitude toward expansion. Fisher Gangar, Trinidad's energy minister, is especially keen to see LNG from Trinidad make inroads into Latin American markets. "I am particularly keen on Brazil," he says, "because of its fast growing demand for electricity and its rapidly growing economy."

Mr Gangar believes the northern Brazilian states



Atlantic coast: the biggest project in the Caribbean for 25 years is on schedule for commissioning next year

sparked recognition in the world LNG industry "that there is another way to build LNG plants. Maybe people have paid too much in the past."

He estimates that the total cost for Atlantic, including finance charges, should come out at around \$85m. That compares with original estimates of \$1.3bn-\$1.5bn.

Atlantic officials are concerned about competition from Nigeria Liquefied Natural Gas, the only other LNG facility now being built in the Atlantic Basin. "Nigeria is worrying," says Mr Bonini, although he insists that Atlantic is not necessarily facing a limited window of opportunity for expansion.

Much will depend on the government's attitude toward expansion. Fisher Gangar, Trinidad's energy minister, is especially keen to see LNG from Trinidad make inroads into Latin American markets. "I am particularly keen on Brazil," he says, "because of its fast growing demand for electricity and its rapidly growing economy."

Mr Gangar believes the northern Brazilian states

would be especially attractive markets for LNG. "Our LNG would be cheaper than pipeline gas from Bolivia," he says.

LNG exports could also form one of the main elements of more far-ranging economic co-operation between Brazil and Trinidad. This could include the setting up of Brazilian iron ore and steel plants in Trinidad that would be fuelled by natural gas.

Atlantic officials also see scope for more Caribbean demand. Some of the gas destined for Cabot in the northeast US will probably wind up being used in a new power project in Puerto Rico.

But there is also concern in government circles that using the country's gas reserves for LNG may not be the best way to realise the highest value of the resource. "It's not a case of LNG at any cost," says Frank Look Kim, president

of the Natural Gas Company of Trinidad and Tobago. But officials acknowledge that the larger gas volumes associated with a second LNG train could pave the way for the creation of an export-oriented ethylene industry, a project which is high on the government's priority list.

EUROPE • by Robert Corzine

## Problems in the pipeline

LNG's future is as a niche fuel rather than a direct competitor to piped gas

Present and potential LNG suppliers to Europe are keeping a close eye on developments in Asia amid fears that distressed cargoes from the region may soon be flooding into Europe.

So far, such fears have failed to materialise, with several Asian LNG producers seemingly content for the time being to reduce output rather than send surplus LNG cargoes across the world in search of buyers.

The Asian situation has exacerbated existing uncertainty about LNG's eventual role in Europe. The Continent is already well served by large-scale gas pipelines from Russia, Norway and Algeria. Over the next few years four additional export pipelines - each of which will be capable of transporting 15bn-20bn cubic metres a year - will boost gas supplies to Europe.

Such a large infusion of gas could put considerable pressure on European gas prices, says Jonathan Stern, vice-president of Gas Strategia, a London-based industry consultant. And that could make life even more difficult for would-be LNG suppliers to Europe, who generally need a premium over pipeline gas prices to justify serving the continent's remote markets.

At present the main European LNG markets are found around the Mediterranean, or in pockets where pipeline supplies have yet to penetrate. Turkey, Spain, Italy, Greece and Portugal are



Out of Africa: Nigerian LNG is destined for Europe

seen as the most attractive LNG markets, as they are furthest from the main gas pipelines, which are aimed at the industrial heartland of Germany.

But, in the case of LNG, demand does not guarantee that projects will be realised. Italy is a case in point. Several years ago Enel, the big Italian electricity generator, concluded a deal with Nigeria Liquefied Natural Gas (NLNG) to buy large volumes for use in its power plants. But environmental opposition to the construction of a receiving terminal and regasification plant prompted Enel to try to back out of the deal. A compromise was reached last year when France agreed to accept the Nigerian LNG at one of its receiving terminals and make an equivalent amount of pipeline gas available to the Italians.

The perceived difficulty of building new receiving terminals in Europe is such that ENI, the partially privatised Italian energy group, last year suggested that floating terminals may be the way forward in the Mediterranean.

But it is not just environmental concerns that make LNG's future role in Europe's energy mix problematic. In some countries which were seen as natural buyers of LNG, such as Ireland, pipelines have stolen a march on LNG. That trend is expected to continue, thus leaving LNG with only isolated pockets of demand.

Turkey may be the exception. Many international oil companies are vying to win a place in Turkey's gas market, which is growing rapidly on the back of rising demand for electricity and the growing industrialisation and urbanisation of the country.

At least five potential LNG suppliers have emerged, ranging from Middle East producers in the Gulf to Nigeria in west Africa and Egypt in the Mediterranean. Turkey is everyone's favourite market at the moment," says Mr Stern.

But, as much as Turkey welcomes the diversity of gas supplies that LNG offers, "they don't want to pay an arm and a leg for it," says Mr Stern.

And Turkey is also the favoured destination for powerful pipeline suppliers, such as Russia and Iran. "Once pipeline gas reaches Turkey it will look just like the rest of Europe," says Mr Stern.

There is considerable speculation about whether the planned liberalisation of Europe's wholesale gas markets over the coming years will boost LNG's prospects. Some see LNG playing a swing role during periods of peak demand. "It's a good fuel for niche markets," says Martin Heston, director of LNG at BG, the former British Gas. "You can supply during periods of peak demand and hold off during the troughs. It's much easier to modulate supply from a tank than from a pipe."

But it is access to existing receiving terminals that may be the key to using LNG as a form of peak storage in Europe. Several companies are looking at Zeebrugge, the Belgian North Sea port that is fast emerging as one of Europe's gas transportation hubs, which has an LNG terminal. But, says Mr Stern, Distrigas, the Belgian gas company, has "not acted like it wants to make money like that".

And it is gas prices, rather than market liberalisation, that will probably have the greater influence on LNG's future in the region. Mr Stern says a collapse in pipeline prices from present levels of around \$2.30-\$2.80 per million BTUs, to as little as \$1.50 per million BTUs could trigger a wave of independent power projects keen to lock in to low cost fuel supplies. The question then is whether even the most efficient LNG producer could compete in such a market.

## Global Electricity

Key management reports from FT Energy

With an unparalleled track record of providing strategic information on the worldwide energy sector, FT Energy publications are renowned throughout the industry as vital components of key decisions. The global electricity portfolio is no exception.

As the world electricity market undergoes fundamental changes, FT Energy brings you 13 strategic reports to keep you up to date with the latest developments. To order your reports, simply complete and return the form below by fax to +44 (0) 171 896 2275, or call us on +44(0)171 896 2241.

<input type="checkbox"/> Global Electricity Company Profiles (Nov '97)	C295/US\$472	<input type="checkbox"/> Electricity in Southern Africa (May '98)	C250/US\$360
<input type="checkbox"/> Electricity in Europe (2 volumes) (Sept '97)	C495/US\$792	<input type="checkbox"/> Global Private Power Generation (Nov '97)	C295/US\$632
<input type="checkbox"/> Electricity in Germany (Sept '97)	C395/US\$632	<input type="checkbox"/> Power in the Philippines (May '98)	C405/US\$650
<input type="checkbox"/> Electricity in Spain (Oct '97)	C395/US\$632	<input type="checkbox"/> Power in Thailand (May '98)	C405/US\$650
<input type="checkbox"/> Electricity Deregulation in North America (June '98)	C395/US\$632	<input type="checkbox"/> IPPs in Asia (July '97)	C405/US\$650
<input type="checkbox"/> Electricity Generation in Latin America (Nov '97)	C285/US\$458	<input type="checkbox"/> The Future Energy Utility Company (Oct '98)	C350/US\$560
		<input type="checkbox"/> Investing in Hydropower (Nov '97)	C395/US\$632

**Payment Details**

☐ Please debit my credit card.

☐ VISA ☐ MASTERCARD ☐ AMEX ☐ OTHER

Card No: \_\_\_\_\_

Expiry Date: \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

EU companies (except UK) must supply name/address/telephone numbers to avoid extra charges:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

OR

☐ I enclose a cheque made payable to FT Energy for the sum of **£/US\$** \_\_\_\_\_

OR

☐ Please invoice me.

**Address Details**

Name: \_\_\_\_\_

Position/Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

Post/Zip code: \_\_\_\_\_

Country: \_\_\_\_\_

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

The information you provide will be held by us and used to keep you informed of Financial Times Business Ltd products and may be used by other selected quality companies for marketing.

Financial Times Business Ltd, Registered office: Maple House, 148 Tottenham Court Road, London W1P 0LL. Registered in England and Wales number: 20228. VAT registration no: GB2782571.

**FAX THIS FORM TO +44 (0) 171 896 2275**

**MONEY BACK GUARANTEE**

If you are not satisfied with your reports, please return them to us within 14 days of publication. We will refund the full purchase price.

**ORDER TWO OR THREE REPORTS AND CLAIM 15% DISCOUNT**

**ORDER FOUR OR MORE REPORTS AND CLAIM 20% DISCOUNT**

FT Energy: Maple House, 148 Tottenham Court Road, London W1P 0LL, UK. Tel: +44 (0)171 896 2241 Fax: +44 (0)171 896 2275

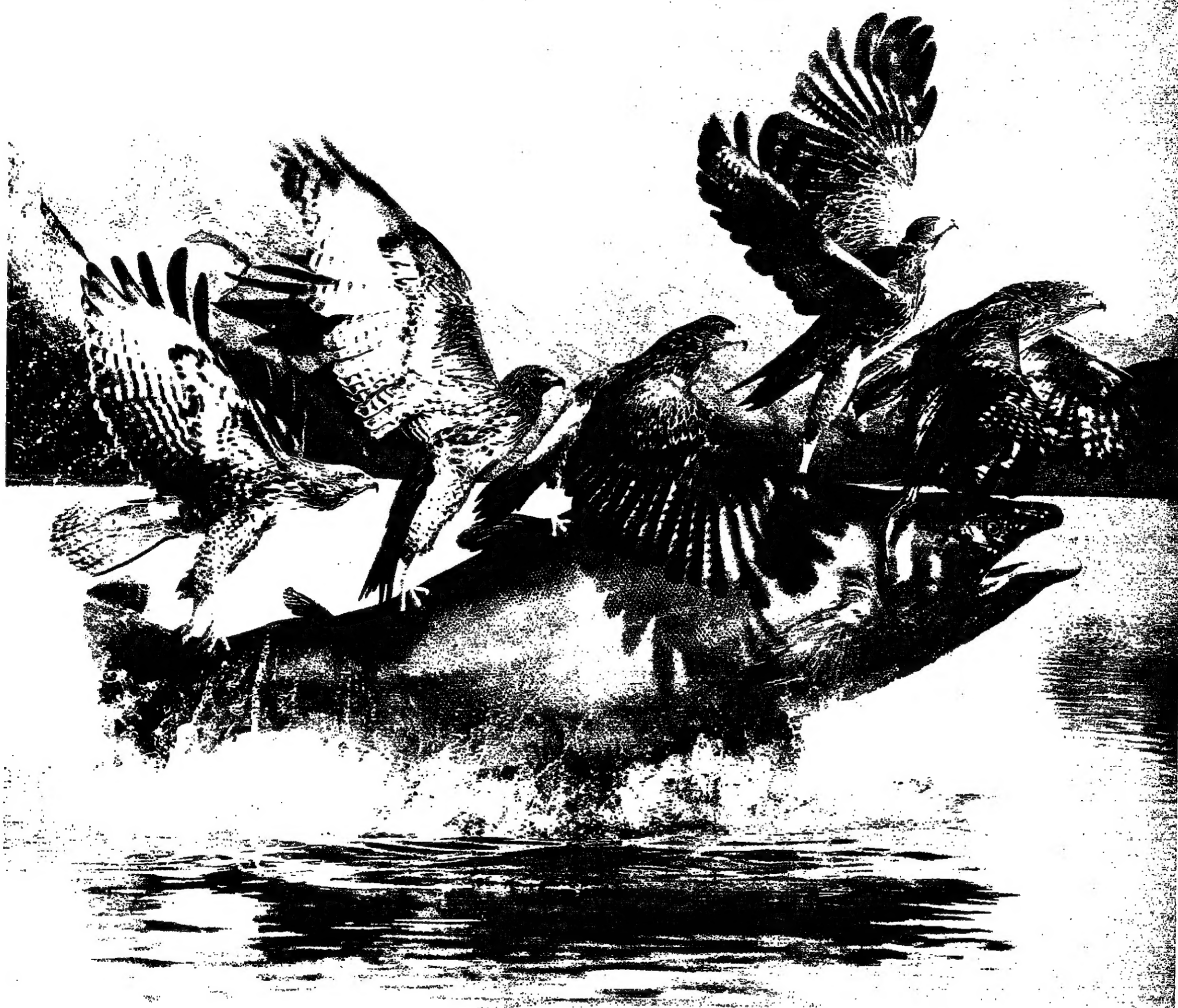
Asia Pacific, 159 Telok Ayer Street, Singapore 068514, Tel: +65 323 6373 Fax: +65 323 4725

Americas, 1320 Pearl Street, Suite 300, Boulder, CO 80502, USA. Tel: +1 303 444 7788 Fax: +1 303 444 1266

212368



Comptroller General  
Yeltsin  
vote against  
Kiriye



هکذا من الاعمال